

# ANNUAL REPORT

2013



**Mittarfeqarfiit**

Grønlands Lufthavne | Greenland Airports



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## » COMPANY INFORMATION

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### **COMPANY**

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### **MANAGEMENT**

Managing Director  
Jens Rechnagel Lauridsen

### **DEPARTMENT**

Department for Health  
and Infrastructure

### **AUDITING**

Deloitte Statsautoriseret  
Revisionspartnerselskab

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## » MAIN AND KEY FIGURES

Main figures (T, DKK)	2009	2010	2011	2012	2013
Net turnover	313,278	345,537	371,400	351,779	357,938
Contribution margin	244,585	275,800	292,166	278,197	280,529
Staff expenses	144,363	142,858	149,570	151,996	151,862
Result before depreciation	(22,564)	19,437	15,497	5,399	12,109
Depreciation	71,438	65,485	64,719	65,501	62,555
Net financial items	(3,419)	(3,571)	(3,139)	(3,693)	(3,258)
Profits	(97,421)	(49,619)	(52,361)	(63,795)	(53,704)
Fixed assets	1,720,013	1,666,639	1,616,725	1,557,890	1,505,171
Current assets	103,497	97,214	107,936	120,733	117,132
Available funds	2,220	3,738	3,837	6,846	6,695
Equity capital	1,720,617	1,691,623	1,641,553	1,572,812	1,516,708
Short-term debt	105,113	75,968	86,945	105,811	105,595
Year's fixed assets acquisition	22,677	14,812	14,941	6,548	9,738
Man-years	412	403	412	420	414
No. of airports	13	13	13	13	13
No. of heliports and helistops	46	46	46	46	46
GG operating subsidy	(11,134)	-	(12,007)	(12,271)	(12,526)
GG fixed assets subsidy	25,510	16,851	7,823	807	3,451
<b>Key figures</b>					
Operating subsidy per man-year	(27,024)	-	(29,143)	(29,217)	(30,256)
Year's purchases in percentage of fixed assets	1,32	0,89	0,92	0,42	0,65
No. of passengers	417,396	423,059	429,161	414,446	397,856
Total no. of take-offs	31,497	32,348	33,984	32,493	33,703
No. of passengers per take-off	13,25	13,08	12,63	12,75	11,80

# 2013

## – IN BRIEF



### MAJOR EVENTS

- › The result for the year were carried by rising fees and charges, an effective adaptation and downsizing of operations. In particular, the more effective bargaining position offered by the introduction of a central purchasing operation led to cost savings of up to 10 %<sup>1</sup>.
- › Diminished activity in mineral and raw materials exploration, leading to stagnating growth in air traffic.
- › The traffic change of the Atlantic line in Narsarsuaq in the winter period has continued its downward effect, with substantially declining passenger numbers in South Greenland.
- › Price competition in the fuel market, combined with Air Greenland's introduction of a more fuel-efficient aircraft model, the Dash-8, lowered fuel demand.
- › Hotels were pressured by standards and locations, leading to extremely low occupancy rates. In Narsarsuaq, demand peaked in connection with emergency accommodation.


<sup>1</sup> For definition of the accounting practice used in the Purchases section, see page 12.



## FINANCIAL PEAKS

- The result after depreciation shows a deficit of DKK 53.7m compared to DKK 63.8m in 2012.
- According to previous accounting principles the year's result stands at a deficit of DKK 3.4m as compared to last year's DKK 9.9m deficit, an improvement of nearly 66 %.
- Net turnover rose from DKK 351.8m to DKK 357.9m, a 2 % rise.
- Due to tight control of spending, lower investments and the successful introduction of a central purchasing function, operating costs were maintained at approximately the same level. At DKK 346m, the figure was slightly lower than in 2012.
- Fixed asset investments reached DKK 9.7m as against DKK 6.5m in 2012.
- Capital tied up in stock fell by 4 %.
- A negative operating subsidy of DKK 12.5m was paid to the Government of Greenland.
- The calculated maintenance backlog was DKK 902.4m.<sup>2</sup>

<sup>2</sup> For further clarification on the calculated maintenance backlog, see the Accounting Report, page 17.

A woman wearing a headset is shown in profile, looking out of an aircraft window. The background shows a landscape with water and mountains under a cloudy sky. The image is partially obscured by a light blue semi-transparent box containing text.

## MANAGEMENT'S STATEMENT

**The management hereby report the annual accounts of Mittarfeqarfiit for 2013.**

The annual accounts are reported in accordance with the Greenland Home Rule Executive Order no. 25 of 26 November 1998 concerning accountancy, etc., for Greenland Home Rule net funded companies.

We consider the accounting practice chosen to be expedient for the annual accounts to give a true and fair view of the company's assets and liabilities, its financial position, result and cash flow.

The annual accounts are recommended for Inatsisartut's approval.

Nuuk, 17 March 2014

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**Jens Rechnagel Lauridsen**

Managing Director  
Mittarfeqarfiit

**Ann Birkekær Kjeldsen**

Head of Department  
Department for Health  
and Infrastructure

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# Auditors' report

## **To Inatsisartut**

We have audited Mittarfeqarfiit's annual accounts for the accounting year 1 January-31 December 2013, including the management's statement, management's report, the applied accounting practice, the profit and loss account, balance, equity statement, cash flow statement and notes. The annual accounts are presented according to the Greenland Home Rule executive order on accountancy for net funded companies.

## **Management's responsibility for the annual accounts**

The management is responsible for preparing annual accounts that present a true and fair view in accordance with the executive order on accountancy. Management is furthermore responsible for the execution of any internal control that it considers necessary to secure the preparation of annual accounts without material misstatement, whether caused by fraud or error.

## **Auditor's responsibility**

It is our responsibility to express a conclusion concerning the annual accounts on the basis of our audit. We have conducted the audit in accordance with international standards for auditing and further requirements in accordance with Greenland's audit statutes. This requires us to observe ethical standards and to plan and conduct the audit with a view to attaining a high degree of certainty that the annual accounts are without material misstatement.

An audit includes the execution of auditing procedures to achieve audit evidence for amounts and information in the annual accounts. The audit procedures selected depend on the auditors' judgment, including the assessment of risk of material misstatement in the annual accounts, whether caused by fraud or error. In the risk assessment auditor will consider any internal control of relevance for the company's preparation of annual accounts that give a true and fair view. This is done in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting assessments made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our audit opinion. The audit gave no cause for reservation.

## **Conclusion**

We believe that the annual accounts give a correct view of the company's assets, liabilities and financial position as of 31 December 2013, and of the result of the company's activities and cash flow for the accounting year 1 January-31 December 2013 in accordance with the Greenland Home Rule executive order on accountancy for net funded companies.



## SUPPLEMENTARY INFORMATION

The value assessment of fixed assets and the necessary depreciation was executed in order to reflect the company's resource use, without consideration of the company's ability to pay interest on and write off its fixed assets as these are funded through Finance Act subsidies.

Nuuk, 17 March 2014

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### **Deloitte**

Statsautoriseret Revisionspartnerselskab

### **Bo Colbe**

State Authorized Public Accountant

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## » MANAGEMENT'S REPORT

### **Mittarfeqarfii's six business areas**

Mittarfeqarfii supplies a large number of services to air carriers, society and other enterprises. Our ongoing strategy work has led to a division into two business areas: The concessioned area, whose primary obligation is to operate airports – and all other areas, whether imposed by society or as a result of the diversification that typically follows from the fact that Mittarfeqarfii is the sole actor in a location. Examples are provided by fire services, electricity works and local transportation tasks. Some of the non-concessioned areas are loss-making and covered through crosssubsidization.

The six areas are:

- 
- > **Concessioned activities – the primary operation of airports**
  - > **Handling – the commercial area**
  - > **Hotels**
  - > **Utility services (electricity, water, heating, TV)**
  - > **Repair facilities (auto, carpentry, etc.)**
  - > **Residential letting**
- 

Handling is concerned with Mittarfeqarfii's sale of services to carriers, for example baggage handling, aircraft handling, check-in and security procedures. The commercial area is a cover term for various other tasks.

Mittarfeqarfii manages hotels and other accommodation at selected localities in its capacity as the only local actor. Mittarfeqarfii's hotel operation has historical roots as emergency accommodation and was previously required for airport operations.

For similar reasons, Mittarfeqarfii also operates utility companies. After the decommissioning of the American military bases, Kangerlussuaq and Narsarsuaq were given settlement status, however Mittarfeqarfii continues to operate electricity, water and heating supplies. Utility operations also take place at Kulusuk, Nerlerit Inaat and Qaarsut airports.

Due to Mittarfeqarfii's need for specially qualified service and maintenance staff, we have been forced to establish repair facilities at several locations. These facilities support the small settlements by supplying technical services in relations to ports, public roads, snow clearing, taxi driving, fuel sales to private and business customers and operation of water works and TV networks.

As a consequence of our extensive need for airport staff accommodation Mittarfeqarfii has undertaken a substantial letting of homes to civilian staff. The letting of surplus capacity may in future prove to be extremely important in relation to service contract tenders for the servicing of air carriers.

## **Strategy**

In the past year Mittarfeqarfiit has initiated a process which will materialize in the first two quarters of 2014 as a new company strategy under the name of Nalinga 2016. It should be seen as a natural culmination of various low-scale efforts over the last years, most recently in March 2013 when the administration of Mittarfeqarfiit's 13 airports was divided into five units. The Atlantic airports make up each their own unit while medium-size, minor and gravel airports each form their separate units. Helipads are administered by the nearest airport. This step was taken to clarify for the individual operating units their administrative and financial responsibilities.

In the years 2012-2014 a number of initiatives aimed at making Mittarfeqarfiit a more commercially oriented organization are being implemented:

The establishment of new departments for purchasing and communications has streamlined our organization. The entire company has seen more effective work procedures using new technology and more cost-effective operations. Comparison among the individual business areas has been an obvious part of this process, and gradually a clearer picture has emerged where Mittarfeqarfiit is profitable, and where key competencies are found.

This knowledge is to be combined with the political targets that have been set for Mittarfeqarfiit to fulfil, and with other stakeholders' expectations and needs. Our strategy aims at making very clear for Mittarfeqarfiit's stakeholders and staff the nature of their tasks. The strategy will thus enable Mittarfeqarfiit to work according to long-term plans and to formulate precise targets for its success.

Nalinga 2016 is a high-priority task for Mittarfeqarfiit. Management has a strong wish to define and assume responsibility for Mittarfeqarfiit's operating field through a concerted strategy, a need that has arisen in the wake of increasing regulation, control and tighter finances.

The future ability to secure an effective result-oriented

management and high quality in the operation of airports for the benefit of society quite simply requires that Mittarfeqarfiit is given maneuvering space for acting in commercially more viable ways.

## **Security**

Security is one of Mittarfeqarfiit's core business areas. Tasks include the screening of weighed-in and carry-on baggage and inspection of travellers, airport patrolling and security approval of staff.

At Kangerlussuaq security was considerably up-graded in the course of 2013. As Greenland's primary international airport, stricter EU regulations had to be enforced. Following the implementation of a number of changes to security, it received certification as an EU airport from the EU and the Danish Transport Authority. As such Kangerlussuaq today meets the requirements of the One Stop Security concept, enabling the handling of passenger and baggage transit on a par with international airports in Europe.

In 2013 the implementation of new procedures for passengers carrying liquids in the hand baggage was under preparation, and in Kangerlussuaq procedures have been established for the collection of statistical information on confiscated objects. With regard to education and training, security has adopted e-learning and the objective of training all airport employees to screener level has nearly been achieved.

## **Procurement**

In 2013 the handling of Mittarfeqarfiit's purchases was transferred from the individual airports to a central purchasing operation. This step enables Mittarfeqarfiit to present itself to suppliers as one unified customer.

In procurement, consideration must be taken to resource and business principles; purchasing agreements are thus mandatory. Mittarfeqarfiit's fundamental servicing obligations should furthermore play a role. Such obligations mean that an overall view must be taken in order that issues such as quality, service, price, supply reliability, security and

# KEY PROCUREMENT FIGURES 2013

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Cost savings on purchasing budget (bargained discounts on single purchases and trading agreements, comparing with equal volumes in 2012): **10 %**

Reduction in number of suppliers compared to 2012: **17**

Number of trading agreements (125 largest suppliers): **43**

Number of agreements in per cent (125 largest suppliers): **29 %**

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the environment are all considered. An online purchasing catalogue was introduced in 2013. In addition to displaying prices and products the system offers information on trading agreements and relations with suppliers. All information on our suppliers is thus collected and serviced centrally. The improved supplier management and the mandatory trading agreements have led to higher professionalism in suppliers.

## Social responsibility

Our responsibility for the handling of a considerable part of Greenland's logistical needs places a societal responsibility on Mittarfeqarfiit. As Greenland's largest company, we are practically the only company and societal actor in several locations, and thus provide the basis for the existence of entire settlements. Over the years, we at Mittarfeqarfiit have fully demonstrated our awareness of this responsibility, and we see the operation of a range of activities such as stores, kindergartens, homes, banking and as a natural part of our activities utilities of every type.

Such tasks were rarely taken on as part of our strategy, but often occurred contingently to our business. Today many of them are integrated business areas. Although many companies now work with CSR strategies in order to assume their responsibility for society, the driving force appears to be an ambition towards image-boosting. For Mittarfeqarfiit social activities have constantly been a primary function.

Education is a field in which our social responsibilities are growing. We are a major training institution in Greenland and welcome trainees from most of the other education and training institutions in the country. In 2013 we increased our efforts to train more candidates, and to support their further specialization. The improved language skills of the young generation are important in enabling them to receive education and training in areas such as traffic control.

Although as a net funded company under the Government, Mittarfeqarfiit is unable to sponsor activities financially. Our facilities often host sport and cultural events across the coun-

try. In 2013 we took the first steps in the planning of the Arctic Winter Games 2016.

## Staff

With 13 airports, 46 helipads and approximately 410 man-years, Mittarfeqarfiit is one of Greenland's largest employers. The diversity of our tasks challenges our ability to recruit and retain the wide range of skills and qualifications of our workforce. The long distances between facilities place a strain on the cohesive force in the company and among our employees.

Internal networks among groups and increased focus on distance management in the company are part of the solution. In 2013 we have used advertisements and press releases to implement an employer branding campaign advertizing Mittarfeqarfiit as an attractive workplace.

Apart from our statutory requirement to secure in-service training, Mittarfeqarfiit is seeking to offer further training that enables employees to fulfil a number of functions. This is particularly important in small, remote locations where we strive to let our own staff handle a maximum number of different tasks. To maintain and secure optimum qualifications, our organization undertakes the training of large parts of its staff. Mittarfeqarfiit today offers 14 different courses of training and education, ranging from courses of a few days to medium-length qualifying air industry programmes.

## Sales

With the establishment of a commercial department with a sales and development section, 2013 marked a year in which sales became an important focus area for Mittarfeqarfiit. We are giving very high priority to encouraging everyone at Mittarfeqarfiit to think and act more commercially. This is a substantial task which continues to be a focus area in Mittarfeqarfiit's current process of change, as expressed for example in exploiting the advertizing potential offered by the large number of people passing through our airports. These efforts raised advertising turnover by approximately 50 %, with similar increases expected for 2014. »



### **Business development**

Mittarfeqarfiit is constantly seeking new opportunities within our core business areas or those related to them, allowing us to exploit our trained airport staff. Security is one such area in which we are developing co-operation with mining companies on the transportation of valuables to the Kangerlussuaq airport for forwarding via Denmark to the larger world. Business development are also considering opportunities for delivering courses for security staff in the fledgling mining industry.

In collaboration with GA, Greenland's association of employers, which Mittarfeqarfiit joined as an associated member in 2013, we increased our focus on establishing international contacts.

Approaching aircraft operators charged with survey flying in preparation for the exploration of metal- and oil-holding locations is one of such activities.

We have supplied information to a number of new companies in the course of 2013. Several of our airports have also made satisfactory profits as base stations for mineral and oil exploration.

The business development department is also formulating a set of procedures for tasks that are currently being handled by the individual airports. Along with airport managers, business development will prepare and disseminate a new "Best Practice" manual to the entire organization.

## » ACCOUNTING REPORT

### Trends in air traffic

From a market perspective 2013 has been a difficult year. All business areas were characterized by extremely weak growth or stagnation caused by decreasing activity in the concessioned area as well as in the commercial areas.

The anticipated activities in mineral and raw material exploration have not materialized, and tourism in Greenland is experiencing very low growth. As a result, the market was driven by national logistic needs.

While Mittarfeqarfiit has thus experienced a weak growth of 3.7 % in the numbers of take-offs, passenger numbers declined by 4.0 % compared to 2012. This development had a negative effect on traffic turnover.

The major challenge to operations in 2013 came from the constant pressure to adapt capacity to the current level of activity. As expected, the complexity of this task has impeded the adjustment of some costs in line with declining activities.

In many areas our operations are governed by regulation dictating conditions such as minimum staffing, intervals for equipment servicing, etc. Such expenses are fixed, irrespective of activity levels. The adaptation of commercial activities has also been hampered by the extremely strong fluctuations that the activity level underwent in 2013. Targeted efforts are being made to secure that the commercial areas, such as ground handling, fuel sales and kiosks will contribute positively to operations in the concessioned area.

### Traffic trends

As mentioned above take-offs have seen a weak growth, which was off-set by a slightly stronger decline in passenger numbers compared to 2012. The number of openings was largely unchanged when compared to 2012. Developments in the number of take-offs, passengers and openings over the previous five accounting years are given below.

#### > Take-offs over previous 5 years:

	2009	2010	2011	2012	2013
Atlantic airports	6,891	7,217	7,696	7,537	7,988
Other airports	14,244	14,824	16,484	15,249	15,069
Heliports	4,079	4,036	3,854	3,706	4,748
Helistops	6,283	6,271	5,950	6,001	5,898
<b>Total</b>	<b>31,497</b>	<b>32,348</b>	<b>33,984</b>	<b>32,493</b>	<b>33,703</b>

> **Passenger numbers over previous 5 years:**

	2009	2010	2011	2012	2013
Atlantic airports	155,515	154,918	161,946	159,665	159,432
Other airports	208,362	216,367	214,902	200,634	194,350
Heliports	29,014	29,386	30,875	31,043	22,482
Helistops	24,505	22,388	21,438	23,104	21,592
<b>Total</b>	<b>417,396</b>	<b>423,059</b>	<b>429,161</b>	<b>414,446</b>	<b>397,856</b>

> **Openings over previous 5 years:**

	2009	2010	2011	2012	2013
Atlantic airports	1,736	1,933	2,225	1,804	1,910
Other airports	3,484	3,685	4,114	3,975	3,868
Heliports	150	85	110	239	283
Helistops	708	862	695	601	591
<b>Total</b>	<b>6,078</b>	<b>6,565</b>	<b>7,144</b>	<b>6,619</b>	<b>6,652</b>

**Developments in results**

The year showed a deficit of DKK 53.7m in results after depreciation, compared to DKK 63.8m in 2012. Equity capital was DKK 1,516.7m, compared to DKK 1,572.8m in 2012.

Net turnover increased by 1.8 % when compared to 2012, now at DKK 357.9m. Traffic revenues rose by 3.1 %, stemming from increases in fees and charges of 6.6 % while take-offs increased by 3.7 %, with a decline in passenger numbers of 4.0 %.

Decline in passenger charges of 5.6 % and fuel sales of 7.4 %

led to a 2.2 % drop in turnover compared with the budget. For passenger charges, not-fulfilled expectations to activities in mineral and raw material exploration are particularly to blame. Concerning fuel sales the cause is continued price competition on market, and Air Greenland's transition to the more fuel-efficient aircraft, the Dash-8.

In 9 of 13 airports, operations undertaken by Mittarfeqarfiit also include handling for the permanent flight operators, contributing to maintaining total costs for the air traffic area at a low level.



> Operating result 2013 under total operating grant compared to previous years:

T, DKK	2009	2010	2011	2012	2013
Year's result	-97,421	-49,619	-52,361	-63,795	-53,704
Year's depreciation	71,438	65,485	64,719	65,501	62,555
<b>Operating funding needs</b>	<b>-25,983</b>	<b>15,866</b>	<b>12,358</b>	<b>1,706</b>	<b>8,851</b>
Direct maintenance work grant allocated to the operating result	9,810	8,736	6,526	612	3,113
Service agreement with Danish state	6,400	6,440	6,400	6,400	6,400
Year's operating subsidy	0	0	0	0	0
Year's payment to GG	-11,134	0	-12,007	-12,271	-12,526
<b>Operating results in relation to grants received</b>	<b>-20,907</b>	<b>31,042</b>	<b>13,277</b>	<b>-3,553</b>	<b>5,838</b>



> Major contributors to cost savings in result for 2013, compared with the previous year are given below:

Underlying cause	(T, DKK)
Increases in airport charges	5,816
Increases in other sales	343
Increases in operating purchases and maintenance expenses	-2,928
Increases in consumption of goods	-3,827
Declines in staff expenses	134
Declines in fuel expenses (electricity, heating and vehicles)	1,759
Declines in in-sourced services	2,071
Declines in insurance costs	264
Declines in training expenses	353
Declines in other office expenses	1,451
Declines in operating expenses	1,176
Increases in fixed assets grant	2,501
Other changes, net	278
<b>Total</b>	<b>9,391</b>

Expenses for raw materials and consumables rose by 5.2 %, primarily as a result of a price hike of 4.0 % for certain fuels. Additionally, a head inventory clean-up at Kangerlussuaq led to expenses of approximately DKK 1.2m.

Other external expenses saw a 3.5 % decline as a result of cost-effective purchases via the new central purchasing operation introduced in 2013. This initiative has proved a big success, giving a major return in the form of discounts and lower-priced deliveries. The year is moreover characterized by general reticence concerning investments and major purchases in the attempt to adapt operations to slightly declining activities.

We achieved status quo for staff expenses at the 2012 level, primarily through our active and targeted focus on minimizing

overtime payment and staff optimization efforts in several areas. Initiatives such as differentiated and shared emergency services have proved cost optimal while at the same time popular among staff. Due diligence in initiatives in 2013 has thus enabled us to check salary expenses despite the expected increases in salary levels.

#### **Capital investments**

The Finance Act authorizes Mittarfeqarfiit to charge up to DKK 15.0m in fees and charges to be invested in large stock and equipment. As a consequence, purchases for DKK 9.2m were effected in 2013. DKK 9.4m were realized and treated as an asset in 2013. Purchases allocated to the operating result amounting to DKK 3.4m were also made. A total of DKK 12.8m were thus spent in 2013 on investments in large stock and equipment.

## > Annual capital investments

(T, DKK)	2009	2010	2011	2012	2013
Various running investments	22,677	14,812	14,941	6,548	9,738
Construction of new airports	-3,020	-2,579	74	118	275
<b>Total capital investments</b>	<b>19,657</b>	<b>12,233</b>	<b>15,015</b>	<b>6,666</b>	<b>10,013</b>

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More cost effective purchases  
in 2013 have facilitated a  
decline in other external costs of **3.5 PCT**

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### Calculated maintenance backlog

The value of the calculated maintenance backlog was DKK 902.4m as of 31 December 2013.

A theoretical calculation of the maintenance backlog was made by comparing the difference between depreciation and reinvestments in the individual year. This does not imply that any actual investment needs are due for payment at a given time, or that security in airports is not properly main-

tained. Necessary investments are always prioritized and financed through the fixed assets subsidy. The fixed assets subsidy contributes to maintaining the necessary standard of airport facilities and stock. But as the annual depreciation, which reflects the reinvestment needs required to maintain airport facilities and stock at the same level, is substantially larger than the fixed assets grant, a real degradation of the airports' facilities and stock is taking place. This constitutes a major long-term challenge for Mittarfeqarfiit.

### Expectations for 2014

Compared to 2013, an improved result is expected for 2014, with a deficit of approximately DKK 50m after depreciation. This would be close to a break-even result according to previous accounting practice.

### Events after the accounting year's expiry

From the balance date to the presentation of the accounts, no events have occurred to alter the assessment of the annual accounts.

### Acknowledgements

Mittarfeqarfiit wishes to express its gratitude to customers, the Danish Transport Authority, its partners and the Government of Greenland for fruitful co-operation in 2013. We look forward to continued partnership relations in 2014.

The management of Mittarfeqarfiit furthermore wishes to thank the staff for their great effort over the year. Their work, loyalty and creativity were instrumental to the safe and stable operation of Mittarfeqarfiit.



## » PROFIT AND LOSS ACCOUNT

T,DKK	Note	2013	2012
Net turnover	1	357,938	351,779
Expenses for raw materials and consumables		-77,409	-73,582
Other external expenses		-116,558	-120,802
Staff expenses	2	-151,862	-151,996
<b>Result before depreciation</b>		<b>12,109</b>	<b>5,399</b>
Result before financial items	3	-62,555	-65,501
<b>Financial revenue</b>		<b>-50,446</b>	<b>-60,102</b>
Financial costs	4	943	515
Annual result	5	-4,201	-4,208
<b>Annual net result</b>		<b>53,704</b>	<b>-63,795</b>
<b>Recommendations for allocation of the result</b>			
Revaluation reserves		-6,340	
Retained result		-47,364	
Total transactions		-53,704	

## » BALANCE

Assets (T,DKK)	Note	2013	2012
Buildings		219,634	242,440
Airports		1,120,403	1,130,755
Electricity, water and heating works, ports, etc,		96,369	108,244
Technical equipment		7,989	9,825
Vehicles and vessels		57,448	62,059
Other installations, tools and equipment		3,328	4,567
<b>Tangible assets</b>	<b>6</b>	<b>1,505,171</b>	<b>1,557,890</b>
<b>Total fixed assets</b>		<b>1,505,171</b>	<b>1,557,890</b>
Commodities and consumer goods		12,468	16,159
Fuel stocks		65,747	65,397
<b>Stocks</b>		<b>78,215</b>	<b>81,556</b>
Amounts receivable from sales		25,510	30,698
Other amounts receivable		392	281
Accruals		6,320	1,352
<b>Amounts receivable</b>		<b>32,222</b>	<b>32,331</b>
Total current assets		6,695	6,846
<b>Total assets</b>		<b>117,132</b>	<b>120,733</b>
<b>Total net assets</b>		<b>1,622,303</b>	<b>1,678,623</b>
<b>Liabilities</b>			
Fixed capital 1 January 1991		23,532	23,532
Appreciation	7	1,702,932	1,709,272
Retained result	8	-209,756	-159,992
<b>Total equity capital</b>		<b>1,516,708</b>	<b>1,572,812</b>
Suppliers of goods and services		10,311	16,327
Debt owed to GG		72,175	67,397
Payable holiday allowance		11,816	13,430
Other debts		6,697	8,118
Accruals		4,595	539
<b>Current liabilities</b>		<b>105,595</b>	<b>105,811</b>
<b>Total debt liabilities</b>		<b>105,595</b>	<b>105,811</b>
<b>Total liabilities</b>		<b>1,622,303</b>	<b>1,678,623</b>
<b>Charged assets and contingent liabilities, etc</b>	<b>9</b>		

## » CASH FLOW STATEMENT

T,DKK	2013	2012
Result before depreciation	12,109	5,399
Net interest	-3,258	-3,693
Purchases of fixed assets	-9,738	-6,548
Sales of fixed assets	166	0
<b>Result before financing</b>	<b>-721</b>	<b>-4,842</b>
Changes in operating capital	-1,544	-4,890
<b>Total effect on available funds</b>	<b>-2,265</b>	<b>-9,732</b>

<b>Procured as follows:</b>		
Net operating subsidy from Provincial Treasury	-6,126	-5,871
Net fixed assets subsidy	3,451	807
<b>Net subsidy from Provincial Treasury</b>	<b>-2,675</b>	<b>-5,064</b>
Changes in drawing rights	4,778	17,805
Change in available funds	162	-3,009
<b>Total capital procurement</b>	<b>2,265</b>	<b>9,732</b>

## » NOTES

<b>1 Net turnover (T,DKK)</b>	<b>2013</b>	<b>2012</b>
Sales	138,906	140,268
Traffic revenue	196,321	190,505
Rental revenue	22,711	21,006
	<b>357,938</b>	<b>351,779</b>
<b>2 Staff expenses</b>		
Wages and salaries	139,331	140,398
Pensions and other social expenses	8,339	7,399
Other staff expenses	4,192	4,199
	<b>151,862</b>	<b>151,996</b>
<b>3 Depreciation</b>		
Year's depreciation, cf, Note 6	62,007	65,501
Profits/loss from sales/decommissioning of fixed assets	548	0
	<b>62,555</b>	<b>65,501</b>
<b>4 Financial revenue</b>		
Interest	395	33
Fees and exchange rate & cash differences	548	482
	<b>943</b>	<b>515</b>
<b>5 Financial costs</b>		
Interest due to GG	3,657	3,542
Other interest expenses	24	30
Fees and exchange rate & cash differences	520	636
	<b>4,201</b>	<b>4,208</b>

## » NOTES CONTINUED

<b>6 Material fixed assets (in thousands)</b>	<b>Buildings</b>	<b>Airports</b>	<b>Electricity-, heating-, and water facilities and harbors etc.</b>
Cost price, beginning of year	673,682	1,320,370	406,055
Entries over year	2,692	263	2,729
Exits over year	-3,610	0	-700
<b>Cost price, end of year</b>	<b>672,764</b>	<b>1,320,633</b>	<b>408,084</b>
Write-offs and depreciation, beginning of year	431,243	189,615	297,812
Year's write-offs and depreciation	24,927	10,615	14,459
Write-offs and depreciation on sold assets	-3,040	0	-557
<b>Write-offs and depreciation, end of year</b>	<b>453,130</b>	<b>200,231</b>	<b>311,715</b>
<b>Accounting value, end of year</b>	<b>219,634</b>	<b>1,120,403</b>	<b>96,369</b>
<b>Balance, end of year 2012</b>	<b>242,440</b>	<b>1,130,755</b>	<b>108,244</b>

<b>7 Appreciations</b>	<b>2013</b>	<b>2012</b>
Balance, beginning of year	1,709,272	1,709,818
Retained from year's result	-6,340	-546
	<b>1,702,932</b>	<b>1,709,272</b>
<b>8 Retained result</b>		
Balance, beginning of year	-159,992	-91,797
Retained from year's result	-47,364	-63,249
Year's net subsidy	-6,126	-5,871
Year's fixed assets subsidy	3,451	807
Non-cash contributions for new airports	275	118
	<b>-209,756</b>	<b>-159,992</b>



Technical equipment	Vehicles and boats	Other facilities, fixtures and inventory	Fixed assets total (T, DKK)
119,471	196,356	43,858	2,759,792
403	3,519	396	10,002
0	-2,658	-350	-7,318
<b>119,874</b>	<b>197,217</b>	<b>43,905</b>	<b>2,762,477</b>
109,646	134,295	39,291	1,201,902
2,239	8,132	1,635	62,007
0	-2,658	-349	-6,603
<b>111,884</b>	<b>139,769</b>	<b>40,577</b>	<b>1,257,306</b>
<b>7,989</b>	<b>57,448</b>	<b>3,328</b>	<b>1,505,171</b>
<b>9,825</b>	<b>62,059</b>	<b>4,567</b>	<b>1,557,890</b>

#### 9 Contingent liabilities and charged assets, etc.

None

## » PROFITS AND LOSS ACCOUNT ACCORDING TO PREVIOUS ACCOUNTING PRINCIPLES

T, DKK	Note	2013	2012
<b>Net turnover</b>	<b>1</b>	<b>357,938</b>	<b>351,779</b>
Negative operating subsidy		-6,126	-5,871
Expenses for raw materials and consumables		-77,409	-73,582
Other external expenses		-122,834	-126,543
Staff expenses	<b>2</b>	-151,862	-151,996
<b>Result before depreciation</b>		<b>-293</b>	<b>-6,213</b>
Depreciation		166	0
<b>Result before financial items</b>		<b>-127</b>	<b>-6,213</b>
Financial revenue	<b>4</b>	943	515
Financial costs	<b>5</b>	-4,201	-4,208
<b>Year's result</b>		<b>-3,385</b>	<b>-9,906</b>



## » BALANCE ACCORDING TO PREVIOUS ACCOUNTING PRINCIPLES

T, DKK	2013	2012
<b>Total fixed assets</b>	<b>0</b>	<b>0</b>
Commodities and consumer goods	12,468	16,159
Fuel stocks	65,747	65,397
<b>Stocks</b>	<b>78,215</b>	<b>81,556</b>
Amounts receivable from sales	25,510	30,698
Other amounts receivable	392	281
Accruals	6,320	1,352
<b>Amounts receivable</b>	<b>32,222</b>	<b>32,331</b>
<b>Available funds</b>	<b>6,695</b>	<b>6,846</b>
<b>Total current assets</b>	<b>117,131</b>	<b>120,733</b>
<b>Total assets</b>	<b>117,131</b>	<b>120,733</b>

<b>Liabilities</b>		
Fixed capital 1 Jan 1991	23,532	23,532
Retained result	-11,995	-8,610
<b>Total equity capital</b>	<b>11,537</b>	<b>14,922</b>
Suppliers of goods and services	10,311	16,327
Debts owed to GG	72,175	67,397
Payable holiday allowance	11,816	13,430
Other debts	6,697	8,118
Accruals	4,595	539
<b>Current debts</b>	<b>105,594</b>	<b>105,811</b>
<b>Total debt liabilities</b>	<b>105,594</b>	<b>105,811</b>
<b>Total liabilities</b>	<b>117,131</b>	<b>120,733</b>



## ACCOUNTINGS PRACTICES APPLIED

### **General information**

The annual accounts are reported in accordance with Executive Order no. 25 of 26 November 1998 concerning accountancy, etc., for Greenland Home Rule net funded companies.

Auditing practices are unchanged since last year.

On p. 26-27 are shown the result for the year, equity capital and the main items of the balance according to the previous accounting practice.

### **Net turnover**

Net turnover includes the year's invoiced sales.

### **Development costs**

Development costs are charged as they are incurred.

### **Exceptional items**

Revenue or expenses originating from operations that are not part of the company's ordinary activities are entered as exceptional items.

### **Taxation**

Mittarfeqarfiit is not liable to taxation.

### **Conversion of foreign currencies**

All outstanding accounts in foreign currencies were converted into Danish kroner according to the exchange rate of the balance day, or as determined by hedging. Realized as well as unrealized capital gains and capital losses are included in the profit and loss account.

### **Stocks**

Stocks were assessed for value according to original or cost price, using the FIFO principle, or net realization value, where this was lower. The cost price includes original price and shipping. Obsolete goods, including slowly selling goods, were depreciated.

### **Tangible assets**

The value of tangible assets were assessed at original value with the addition of any appreciation, after deduction of any write-offs, where applicable.

The annual depreciation was written off linearly over the service life of the assets based on the original value, after the addition of appreciation and subtraction of any scrap value of the asset. Landing and apron subsoils were not written off as their scrap value is estimated to be equal to the original price.



The individual groups of fixed assets were written off according to their expected service life:

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> Buildings	<b>15 – 50 years</b>
> Airports	<b>15 – 30 years</b>
> Electricity, heating and water works, ports, etc	<b>10 – 30 years</b>
> Technical equipment	<b>5 – 10 years</b>
> Vehicles and vessels	<b>5 – 20 years</b>
> Other installations, tools and equipment	<b>3 – 5 years</b>

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Assets with original values below DKK 50,000 per unit are fully charged in the original year.

#### **Amounts receivable from sales and services**

Amounts receivable from sales and services were value-assessed after deduction of funds towards provision for liabilities, calculated on the basis of individual assessments of the amounts receivable.

#### **Subsidies**

As a net funded company under The Government of Greenland, Mittarfeqarfiit is operationally self-financing through user

charges and contributes financially to the Government of Greenland. The operating subsidy and payments to the Government of Greenland are separately entered under equity capital in the retained result item.

Capital investment grants for specific fixed assets and maintenance tasks are also entered separately in the retained result item.

Non-cash contributions concerning new airports transferred to Mittarfeqarfiit are entered under the item retained result in the year in which the airport is handed over to Mittarfeqarfiit. The corresponding value of the airport is included in the relevant items under fixed assets.

At the sale of fixed assets that were financed by subsidies from the Government of Greenland at the time of purchase, the proceeds of the sales accrue to the Government of Greenland. In the accounting procedure, the distribution of the sales proceeds is considered a negative subsidy, which is deducted directly from the equity capital.

#### **Cash flow statement**

The cash flow statement was prepared according to the indirect method as instructed in the Executive Order.

## » TERMS AND DEFINITIONS

» **Occupancy rate**

A measure of the number of hotel lay-overs.  
100 % indicates full booking.

» **Helistop**

Landing ground for helicopters, typically without any facilities beyond those required by statute for the landing area proper.

» **Heliport**

Helicopter airport, typically with waiting room and fuel sales facilities, etc.

» **Helipad**

Helicopter landing place, either on board a vessel, in an airport or at a helistop.

» **Opening**

Refers to the opening of an airport outside of normal business hours. The requesting air company is charged in accordance with Mittarfeqarfiit's fees and charges, see [www.mit.gl](http://www.mit.gl).

» **Cross subsidization**

When profits from one business area cover deficits in loss-making business areas.

» **Capital tied up in stock**

Value of inventory goods.

» **Negative operating subsidy**

Mittarfeqarfiit's current contribution to the government.

» **Emergency accommodation**

Lay-overs caused by air traffic delays.

» **Service contract**

A service delivery agreement between a company and the government.

» **Survey flying**

Exploration flights.

» **Maintenance backlog**

The negative value of the investments that would have had to be made to maintain the original value of fixed assets (the price of neglecting the running maintenance of buildings and stock). This is based on a theoretical calculation of the difference between depreciations and reinvestments in the individual year.





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**ANNUAL ACCOUNTS**  
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