



ATLANTIC AIRWAYS



Half Year Report 2010

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Second quarter in brief

- ❑ Revenue for the second quarter of 2010 was DKK 92.8 million compared to DKK 107.5 million for the second quarter of 2009
- ❑ The result before depreciation (EBITDA) for the second quarter of 2010 was DKK 11.0 million compared to DKK 10.9 million for the second quarter of 2009
- ❑ Net financial items were DKK -0.4 million in the second quarter of 2010 compared with net financial items of DKK -0.8 million in the second quarter of 2009
- ❑ Total depreciation for the second quarter of 2010 was DKK 12.4 million compared to DKK 12.0 million in the second quarter of 2009
- ❑ The result before tax for the second quarter of 2010 was DKK -1.8 million compared to DKK -1.9 million for the second quarter of 2009
- ❑ The result after tax for the second quarter of 2010 was DKK -1.5 million, which is unchanged compared to the same period the previous year
- ❑ Number of aircraft block hours were 1,664 in the second quarter of 2010 compared to 2,460 in the second quarter the previous year
- ❑ Airspace closure in Europe following the eruption of the Eyjafjallajökul volcano in Iceland had an impact on earnings of around DKK 5 million

First half of 2010 in brief

- ❑ Revenue for the first half of 2010 was DKK 171.6 million compared to DKK 208.8 million for the first half of 2009, a decrease of 18%
- ❑ The result before depreciation (EBITDA) for the first half of 2010 was DKK 17.9 million compared to DKK 22.5 million for the first half of 2009
- ❑ Net financial items were DKK -1.6 million in the first half of 2010 compared with net financial items of DKK 15.0 million in the first half of 2009
- ❑ Total depreciation for the first half of 2010 was DKK 25.0 million compared to DKK 25.3 million for the first half of 2009
- ❑ The result before tax for the first half of 2010 was DKK -8.7 million compared to DKK 12.2 million for the first half of 2009
- ❑ The result after tax for the first half of 2010 was DKK -7.2 million compared to DKK 10.0 million for the same period the previous year
- ❑ Number of aircraft block hours were 3,081 in the first half of 2010 compared to 5,664 in the same period in 2009

Highlights for the second quarter 2010

Atlantic Airways: Positive trend dampened by ash cloud

Atlantic Airways result in Q2 was a deficit of DKK 1.5 million, but the company would have posted profit if the cost related to the ash cloud is adjusted for. The airspace closure in April and May had a direct impact on earnings of around DKK 5 million. Ahead of this the airline already faced very challenging conditions because of a substantial decline in the ACMI market, hiking fuel prices and increased airport and passenger fees. Atlantic Airways staff handled the extraordinary challenge from the ash cloud in a remarkable way and maximised the possible outcome of an unprecedented situation.

The second quarter deficit of DKK 1.5 million is in line with the result the previous year. EBITDA was almost unchanged at DKK 11.0 million while the turnover fell from DKK 107.5 million to DKK 92.8 million as a result of lower activity. EBITDA for the first half of 2010 was DKK 17.9 million compared to DKK 22.5 million for the first half of 2009. The result before tax for the first half was a deficit of DKK -8.7 million compared to DKK 12.2 million in profit the previous year which was affected by extra ordinarily high financial income.

“Despite all the external challenges we are on the right track in our turnaround from red to black numbers ,” says Magni Arge, CEO. He continues: “Reducing capacity, adjusting supply, lowering costs and managing yield as well as an increased activity in the air logistics supporting oil activity is turning the balance into our favour. The third quarter generally generates the highest income during the year because of the high season and we expect turnover to increase compared to the same period last year. For the full year 2010 we expect a healthy improvement of EBIT and a better net result providing that external factors such as fuel and currency, remain at the same level.”

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Financial highlights and key ratios

	Q2 2010	Q2 2009	YTD 2010	YTD 2009	FY 2009
INCOME STATEMENT (DKK 1,000)					
Net sales	92.838	107.509	171.606	208.783	402.137
Result before depr., amort. and impairm. (EBITDA)	11.045	10.878	17.870	22.522	43.633
Depreciations, amortisations and impairment	-12.415	-11.993	-24.959	-25.329	-63.001
Result before financial items (EBIT)	-1.370	-1.115	-7.089	-2.807	-19.368
Net financial items	-417	-766	-1.610	14.965	11.745
Result before tax (EBT)	-1.787	-1.881	-8.699	12.158	-8.064
Tax	322	360	1.543	-2.167	1.455
Profit	-1.465	-1.520	-7.156	9.992	-6.609
BALANCE SHEET (DKK 1,000)					
Assets					
Total non-current assets	290.284	302.478	290.284	302.478	303.389
Total current assets	135.996	163.204	135.996	163.204	96.467
Total assets	426.280	465.682	426.280	465.682	399.856
Equity and liabilities					
Total equity	211.959	230.756	211.959	230.756	214.377
Total non-current liabilities	123.634	139.888	123.634	139.888	127.797
Total current liabilities	90.688	95.038	90.688	95.038	57.681
Total equity and liabilities	426.280	465.682	426.280	465.682	399.856
Cash flows (DKK 1,000)					
Cash flows for the period	19.123	19.862	34.686	47.115	-16.842
Financial ratios					
EBITDAR (DKK 1,000)	12.387	13.879	20.554	29.037	54.805
EBITDAR margin (%)	13%	13%	12%	14%	14%
Return on investment (%)	0%	0%	-2%	-1%	-5%
Current ratio (%)	150%	172%	150%	172%	167%
Solvency ratio (%)	50%	50%	50%	50%	54%
Return on equity before tax (%)	-1%	-1%	-4%	5%	-4%
Return on equity after tax (%)	-1%	-1%	-3%	4%	-3%
Income/cost ratio (%)	0,98	0,98	-0,95	-1,06	-0,98
Shares					
Number of shares (1,000)	1035	1035	1035	1035	1035
Earnings after tax per share (DKK)	-1,42	-1,47	-6,91	9,65	-6,39
Dividend per share (DKK)	0	0	0	0	0
Share price end of period (DKK)	117	162	117	162	142
Share price end of period/Earnings after tax per share (P/E)	-82,67	-110,29	-16,92	16,78	-22,24
Traffic statistics					
Capacity - scheduled flight (ASK) (1,000)	81.752	92.385	149.202	159.446	343.205
Traffic - scheduled flight (RPK) (1,000)	62.138	70.572	111.000	118.768	265.050
Load factor (%)	76%	76%	74%	74%	77%

Management's Review

Weakening demand for travel in Europe as a consequence of the economical crisis has been evident in all of our three main business focuses.

Charter/ACMI operations are reduced significantly and current activity is mainly based on ad-hoc charters. Capacity is reduced to a level of four operating aircraft mostly occupied with scheduled services during the high season.

Scheduled services focusing on the Faroe Islands have declined since November 2008 but there are positive trends towards a recovery this year. However, the heavy impact from the airspace closure broke the positive trend.

The helicopter activity is catching up this summer as ENI has contracted the AW 139 helicopter to support the exploration campaign in the Faroes, which started in June and is expected to last towards November.

The company has taken steps to adjust capacity, optimise revenue and cut cost to meet the economical downturn. Compared to last year the profitability in operation is improved, but financial income is considerably lower and external factors outside the airline's control, such as the closure of airspace, increased fuel cost and higher charges from airport have slowed down the improvement.

Revenue for the first half year decreased 18 %, compared to the first half of 2009, from DKK 209 million to DKK 172 million. As charter activity was at a much lower level in third quarter in 2009 the trend of falling revenue will be less significant next quarter.

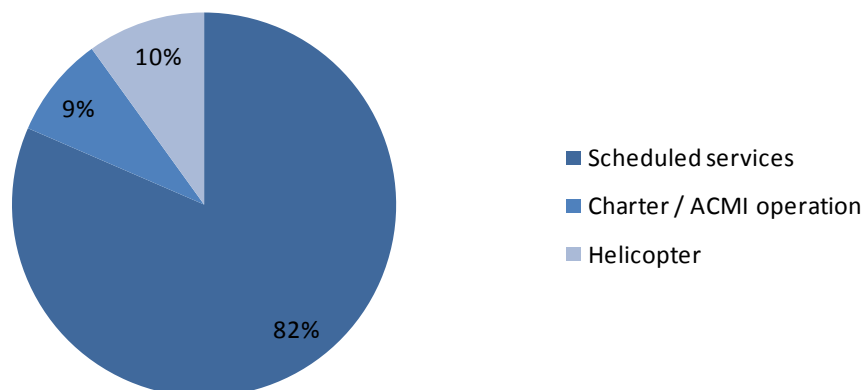
Impact of airspace closure

The closure of European airspace by regulatory authorities in April and May following the volcanic eruption in Iceland had a significant adverse impact on the company's operations and air traffic volumes in the second quarter of 2010. The impact on earnings during the actual period was around DKK 5 million, but the disruption also had a negative effect on bookings and revenue for the entire second quarter and to some degree into the third quarter.

The impact from the airspace closure was more significant in the Faroe Islands than most other European destinations, as the airport in the Faroe Islands is the closest to the eruptive volcano Eyjafjallajökull outside Iceland, and the airport therefore more often was included in the closed (buffer) zone and suffered from closure.

The staff of Atlantic Airways did a remarkable job during the period to provide any possible air connection between the Faroes and the outside world, and organise a swift recovery when airspace opened again. When the closure of Copenhagen Airport was lifted it was aircraft from Atlantic Airways, which were the first to land and take off.

Business area percentages of Total Revenue



Traffic Development

The number of block hours decreased by 45% in the first half of 2010 in comparison to the first half of 2009. Aircraft and helicopters were airborne for a total of 3,449 block hours compared to 6,270 hours in the same period last year.

The larger part of the drop was due to a decline in ACMI/charter activity, which decreased by 90% compared to the first half of last year. Supply of seats in scheduled services has been adjusted to the lower demand, as both the supply of available seat kilometres (ASK) and the passenger traffic measured in revenue passenger kilometres (RPK) declined by 6%. Offshore helicopter activity was significantly lower than the same period last year, but improved in Q2 compared to Q1.

Traffic information

	Q2 2010	Q2 2009	Change	Change	YTD 2010	YTD 2009	Change	Change
Passengers	pass	pass	pass	%	pass	pass	pass	%
Scheduled services	46.046	52.324	-6.278	-12%	81.905	88.137	-6.232	-7%
ACMI/Charter operations	5.621	37.345	-31.724	-85%	10.737	105.679	-94.942	-90%
Aircraft in total	51.667	89.669	-38.002	-42%	92.642	193.816	-101.174	-52%
Helicopter	3.003	1.700	1.303	77%	4.133	3.120	1.013	32%
Total	54.670	91.369	-36.699	-40%	96.775	196.936	-100.161	-51%

	hours	hours	hours	%	hours	hours	hours	%
Block hours								
Scheduled services	1.473	1.653	-180	-11%	2.680	2.880	-200	-7%
ACMI/Charter operations	191	807	-616	-76%	401	2.784	-2.383	-86%
Aircraft in total	1.664	2.460	-796	-32%	3.081	5.664	-2.583	-46%
Helicopter	210	324	-114	-35%	368	606	-238	-39%
Total	1.874	2.784	-910	-33%	3.449	6.270	-2.821	-45%

Scheduled services

The number of passengers on scheduled services in the first half of 2010 decreased by 7%. The scheduled services to the Faroe Islands have been declining since November 2008, but the decline is slowing. However, in the second quarter of 2010 passenger numbers on scheduled services decreased by 12% compared to second quarter of 2009, as the traffic volumes and production in April and May were significantly affected by the closure of European airspace following the volcanic activity in Iceland.

The load factor on the scheduled services network remained unchanged at 74% compared to the first half of 2009 due to adjustment of capacity.

Charter/ACMI operations

ACMI contracts for SAS on their route network came to an end as originally planned at the end of May last year and this has had a significant effect on income and number of hours flown. Production decreased from 2,784 block hours to 401 block hours in the first half of 2010, and in the second quarter they decreased 76% from 807 in 2009 to 191 hours this year. This is also reflected in the reduction of the fleet as two leased aircraft have been redelivered to Lessors. As a consequence of lower demand for the ACMI/charter series and only four aircraft in operation, the company has concentrated its efforts on maximising utilisation pursuing ad-hoc charters in the local environment and in Europe.

Helicopter Operations

SAR services and domestic helicopter flights remain stable. The company's new AW 139 has operated offshore out of Esbjerg in Denmark in part of the first half of 2010, and started earlier this summer operating for ENI in connection with oil drilling in the Faroese Sea and will remain in this service towards November. Offshore operations in terms of block hours, however, have not returned to the 2009 level, as the oil rig was delayed into Faroese waters and there has been no seismic activity in the area.

Other income

Ancillary revenues, revenues from duty-free, and freight and mail transportation increased by 1% in the first half of 2010 compared to the same period in 2009. The contract with Vágur Airport regarding the duty-free sale on shore expires on 1. November 2010 and negotiations on an extension are imminent.

Fleet development

The company reduced the fleet with two leased aircraft last year and has made arrangement to phase out the remaining two older Bae 146-200. One aircraft will be delivered to Chilean based DAP airline on a lease/purchase and one aircraft is sold to Canada based Tronosjet and will be leased back until end of next summer. As a result of this the airline is left with three Bae Avro RJ aircraft. Two are in ownership and one is on lease which expires in 2013.

The income from leasing and sale will only have a minor impact on the result but will improve the cash position and lead to a higher utilisation of aircraft.

The company expects to take delivery of its first Airbus 319 in March 2012.

Airport matters

Copenhagen Airport has announced a substantial increase of passenger charges of around DKK 72 for travellers flying to Faroe Islands and Greenland with effect from October 2010. Atlantic Airways has expressed its opposition to the increase in a hearing with the Danish Civil Aviation Authorities. It was previously planned to introduce the increase in October 2009 but opposition from airlines and other stakeholders in Greenland and the Faroe Islands led to a delay and a slightly adjusted new proposal. The increase is motivated by changing the status of flights between Copenhagen and the Faroe Islands/Greenland from domestic to international flights.

Atlantic Airways also opposed to changes at Vagar Airport which were introduced from the beginning of the year leading to higher costs and less operational flexibility. The effect of the increased charges is estimated to amount to DKK 2.7 million in total (DKK 2.1 are originating from passenger charges) compared to the same period last year.

It is evident that the increased airport and passenger charges in both the Faroe Islands and Copenhagen will have an adverse effect on the traffic between Faroes and especially Copenhagen. Passenger charges and taxes for a return flight between Faroes and Copenhagen will amount to DKK 451 per traveler in 2011. This will undoubtedly hurt the Faroe Islands' competitive situation as a destination for tourism and lead to a loss of revenue for airport, airline, hotels and the tourism industry in general.

Financial Statement, 1 April – 30 June 2010

The second quarter result after tax was DKK -1.5 million, which is unchanged compared to the same period the previous year.

The result before tax for the second quarter was DKK -1.8 million compared to DKK -1.9 million the same period last year.

The overall impact of the closure of the airspace on the company's earnings was a loss of around DKK 5 million.

EBITDA was DKK 11.0 million for the second quarter compared to DKK 10.9 million the second quarter in 2009.

Revenue for the second quarter decreased 14% by DKK 14.6 million from DKK 107.5 million to DKK 92.8 million.

Income from scheduled services was significantly impacted by the airspace closure for some days in April and May following the ash cloud. Revenue from scheduled services decreased by DKK 7.7 million compared to the same period last year.

Revenue from aircraft charter operations decreased by DKK 8.5 million due to decreasing demand, while revenue from helicopter operations was DKK 0.4 million higher this year.

Financial Statement, 1 January – 30 June 2010

Total revenue for the first half of 2010 decreased 18% by DKK 37.2 million from DKK 208.8 million in the first half of 2009 to DKK 171.6 million in the first half of 2010.

The result after tax was DKK -7.2 million for the first half of 2010 compared to DKK 10.0 million for the same period the previous year.

The overall impact of the closure of the airspace on earnings was a loss of around DKK 5 million.

In first half of 2010, EBIDTA was DKK 17.9 million compared to DKK 22.5 million the previous year.

Net financial income was DKK -1.6 million for the first half of the year compared to DKK 15.0 million in net financial income same period last year.

Income from scheduled services decreased by DKK 2.8 million in the first half of 2010 compared to the first half of 2009.

Charter income was DKK 32.1 million lower this year and income from helicopter operations decreased by DKK 2.2 million compared to the first half of 2009 as a consequence of reduced charter and helicopter activity.

Flight expenses dropped 22.6 million in the first half of 2010 compared to the same period last year. The drop is due to declining activities in charter operations and due to a reduction in fleet capacity. Fuel cost has increased in the first half of 2010, but it has to an extent been offset through fuel and currency hedging. Lower utilisation and more expensive structural checks have led to higher maintenance costs in the first half.

Adjustment to a decreased demand and hence lower production is also evident in personnel costs. Employee costs were DKK 43.8 million in the first half of 2010 compared to DKK 53.5 million the previous year. In the first half, the number of full-time equivalent employees was 166 compared to 221 in the first half of 2009, which is 55 fewer than in the same period last year. Excluded in the number of full-time equivalent employees in the first half of 2009 were 30 employees on loan from SAS, who returned to SAS by the end of the lease contract in June 2009.

Depreciation for the first half of 2010 was DKK 25.0 million compared to DKK 25.3 million in the first half of 2009.

Balance Sheet

Total non-current assets decreased by DKK 13 million to DKK 290 million compared to the end of 2009.

Cash and cash equivalents increased by DKK 35 million in the first half of the year to DKK 100 million.

Total current assets increased by DKK 39 million compared to the end of 2009.

Total equity as of 30 June 2010 was DKK 212 million, resulting in an equity ratio of 50%.

The company's total debt as of 30 June 2010 was DKK 214 million, of which long-term debt was DKK 124 million.

The balance sheet total as of 30 June 2010 was DKK 426 million, which is DKK 26 million higher than at the beginning of the year.

Shares

On 30 June 2010 the share price was DKK 117 and the market value DKK 121 million, which is 42% below the company's equity value. At the end of 2009 the share price was DKK 141.

The turnover of shares – which are all class A-shares – has been low.

Events after 30 June 2010

In July, the company made arrangements to phase out the two remaining BAE 146-200 aircraft. One aircraft was sold to a subsidiary company of the Canadian based Tronos group and will be leased back for 2011 summer season. The other aircraft will be delivered to the Chilean based airline DAP in October on a lease / purchase agreement.

The Minister of Industry has in August publicly stated that he wants to clarify whether there is a political support to either continue a further privatisation of Atlantic Airways or buy back the shares earlier sold to private investors.

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 2010.

Outlook for 2010

We trust that the sign of economic recovery in Europe will spread to the Faroes and lead to increased traffic. However increased passenger charges in both the Faroes and Copenhagen will slow such a recovery.

The closure of the airspace due to the ash cloud had a negative impact on forward bookings in Q2 and to a lesser degree Q3. However, the reduction of the fleet and further benefits from initiatives taken to reduce cost, adjust capacity to lower demand and increase yield is expected to improve the result and offset weaker demand and rising cost.

The third quarter is the airline's most busy period during the year and generates the highest revenue, and this is even more supported this year because of oil exploration activity. Hence we are optimistic that the Q3 performance will be improved compared to last year. For the full year 2010 we expect a healthy improvement of EBIT and a better net result providing that external factors such as fuel and currency, remain at the same level.

Risk management

The important risk factors, which were assessed at length in the 2009 Annual Report were: Demand for airline travel, demand for charter aircraft and helicopters, exchange rate changes, fuel prices, the weather, and interest rate risk. Experiences from this spring forces us to add another risk factor: Air traffic may also be affected by cancellations and delays connected to ash clouds from volcanic eruptions. As we are next-door neighbours to Iceland, our home turf can become more exposed than destinations at a further distance. However, new rules to mitigate for risk involved in operations in light or medium contaminated areas has reduced the expected impact considerably.

The company realises that the profit and loss account can be affected by the general uncertainty in the Faroese and international economies, as well as realising that the result for the year and the balance sheet can be affected by the risk of increased competition, changes in oil prices, demand for airline travel, currency fluctuations, the general level of cost, the weather, volcanic ash, operations and accidents, financial risk, credit risk, and exchange rate risk.

Auditing

The report for the first half of the year 2010 has been reviewed, but not audited, by the auditing firm NOTA P/F.

Financial Calendar 2010

26 August	Interim Statement Q2
18 November	Interim Statement Q3

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 2010.

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.

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, 2010, results, changes in equity and cash flows for the period of 1 January – 30 June 2010.

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 26th of August 2010

Management:

Magni Arge
CEO

Marius Davidsen
CFO

Board of directors

Bjarni Askham Bjarnason
Chairman

Kaj Johannesen
Vice-chairman

Jens Wittrup Willumsen

Tezz Tordsdotter Ohlsson

Verna Rasmussen

Ingi S. Joensen

Independent Auditor's Report

To the shareholders of P/F Atlantic Airways

According to agreement with the Board of Directors of P/F Atlantic Airways we have reviewed the accompanying condensed Interim Balance Sheet of P/F Atlantic Airways as of 30 June 2010, and the related condensed Statements of Income, changes in equity and Cash Flows and Notes for the six months period ended 30 June 2010.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU. Our responsibility is to issue a report on the condensed Interim Financial Statement based on our review.

Basis of Opinion

We conducted our review in accordance with the generally accepted review standard as applied in the Faroe Islands. This standard requires that we plan and perform the review to obtain limited assurance as to whether the preliminary financial information is free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, 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 Statements do not give a true and fair view of the financial position of the Company as of 30 June 2010, and of the result of its operations and its cash flow for the six months period ending 30 June 2010 in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU.

Sørvágur the 26th of August 2010

NOTA

State Authorized Public Accountants P/F

Hans Laksá
State Authorized Public Accountant

Jóannes Olsen
Registered Public Accountant

Company Information

P/F Atlantic Airways

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Domicile municipality: Sørvágur
Website: www.atlantic.fo
Email: 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, Deputy Chairman
Jens Wittrup Willumsen
Tezz Tordsdotter Ohlsson
Verna Rasmussen
Ingi S. Joensen

Management

Magni Arge, CEO
Marius Davidsen, CFO

Auditor

P/F NOTA, State Authorized Public Accountants

Income Statement

				(DKK 1,000)
	Note	H1 2010	H1 2009	2009
Net sales	4	171.605.597	208.782.605	402.137
Total revenue	3,4,6	171.605.597	208.782.605	402.137
Flight expenses	5	-109.955.575	-132.743.326	-258.669
Employee expenditures	7	-43.779.987	-53.517.092	-99.835
Total operating expenses		-153.735.562	-186.260.418	-358.504
Result before depreciation, amort. and impairment (EBITDA)		17.870.035	22.522.187	43.633
Depreciations, amort. and impairment	8,12,13	-24.958.933	-25.328.768	-63.001
Result before financial items (EBIT)		-7.088.898	-2.806.581	-19.368
Financial income	9	3.775.537	20.390.206	22.322
Financial expenses	10	-5.385.252	-5.425.183	-10.577
Net financial items		-1.609.715	14.965.022	11.745
Share of profit/loss of associates		0	0	-441
Result before taxes (EBT)		-8.698.613	12.158.441	-8.064
Taxes	11	1.542.836	-2.166.919	1.455
Net Profit / Loss for the year		-7.155.777	9.991.522	-6.609
Attributable to:				
Shareholders of Atlantic Airways P/F		-7.155.777	9.991.522	-6.609
Earnings per share	28			
Earnings per share (DKK) (EPS)		-6,99	9,76	-6,45
Diluted earnings per share (DKK) (EPS-D)		-6,99	9,76	-6,45

Statement of comprehensive income

	Note	H1 2010	H1 2009	(DKK 1,000) 2009
Net Profit / Loss for the year		-7.155.777	9.991.522	-6.609
Other comprehensive income				
Value adjustm. of cash flow hedges		4.863.413	0	1.514
Available-for-sale financial assets		-126.000	-607.500	-1.859
Dividend own shares		0	0	6
Tax of other comprehensive income		0	0	0
Other comprehensive income after tax		4.737.413	-607.500	-338
Total comprehensive income		-2.418.364	9.384.022	-6.947
Attributable to:				
Shareholders of Atlantic Airways P/F		-2.418.364	9.384.022	-6.947

Balance Sheet as at 30 June

<i>(DKK 1,000)</i>				
ASSETS	Note	H1 2010	H1 2009	2009
Intangible assets	12	5.891.816	5.806.722	6.809
Aircraft and maintenance	13	198.261.275	215.528.159	208.158
Spare parts	13	17.216.375	18.071.284	17.936
Operating equipment	13	8.230.350	9.600.677	9.091
Hangar, buildings and land	13	39.473.610	41.435.709	40.455
Shares in associated companies	16	674.267	1.115.742	674
Prepaid aircraft acquisitions	15	19.376.701	9.972.286	19.106
Other shares	16	1.159.791	947.291	1.160
Total non-current assets		290.284.185	302.477.870	303.389
Consumables	17	3.836.608	3.857.248	3.761
Trade receivables	18	20.339.442	20.564.042	21.770
Prepayments		5.044.036	1.648.735	500
Other receivables		1.754.363	5.677.531	2.674
Other shares "available-for-sale"		603.000	1.980.000	729
Cash flow hedging		4.213.706	0	1.514
Cash and cash equivalents	26	100.205.110	129.476.811	65.519
Total current assets		135.996.266	163.204.367	96.467
TOTAL ASSETS		426.280.450	465.682.238	399.856

Balance Sheet as at 30 June

					(DKK 1,000)
EQUITY AND LIABILITIES	Note	H1 2010	H1 2009	2009	
Share capital	19	103.500.000	103.500.000	103.500	
Share premium reserve		23.500.000	23.500.000	23.500	
Value adjustm. of cash flow hedges		6.377.691	545.742	1.514	
Revaluation reserve shares	21	130.500	1.507.500	257	
Retained earnings	22	78.450.536	101.702.568	85.606	
TOTAL EQUITY		211.958.727	230.755.810	214.377	
Mortgage loans	23	100.046.677	111.135.881	102.667	
Provisions for deferred taxes	13	23.587.219	28.752.283	25.130	
TOTAL NON-CURRENT LIABILITIES		123.633.896	139.888.164	127.797	
Mortgage loans	23	14.382.500	18.282.500	18.282	
Trade payables		25.613.540	28.669.084	19.685	
Deferred income and accruals		50.691.787	48.086.679	19.714	
TOTAL CURRENT LIABILITIES	23	90.687.827	95.038.264	57.681	
TOTAL LIABILITIES	23	214.321.723	234.926.428	185.479	
TOTAL EQUITY AND LIABILITIES		426.280.450	465.682.238	399.856	
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Statement of Changes in Equity

(DKK 1,000)	Share capital	Share premium reserve	Hedging reserve	Revaluation reserve shares	Retained earnings	Proposed dividend	Total
Equity at 01.01.2009	103.500	23.500	-	2.115	91.663	5.000	225.779
Result for the period	-	-	-	-	9.992	-	9.992
Value adjustm. of cash flow hedges	-	-	546	-	-	-	546
Revaluation reserve shares	-	-	-	-608	-	-	-608
Total comprehensive income	-	-	-	-	-	-	9.930
Dividends paid	-	-	-	-	-	-5.000	-5.000
Dividend Own shares	-	-	-	-	48	-	48
Equity at 30.06.2009	103.500	23.500	546	1.508	101.703		230.756
Equity at 01.01.2010	103.500	23.500	1.514	257	85.606		214.377
Result for the period	-	-	-	-	-7.156	-	-7.156
Value adjustm. of cash flow hedges	-	-	4.863	-	-	-	4.863
Revaluation reserve shares	-	-	-	-126	-	-	-126
Total comprehensive income	-	-	-	-	-	-	-2.418
Dividends paid	-	-	-	-	-	-	-
Equity at 30.06.2010	103.500	23.500	6.377	131	78.450	-	211.959

Breakdown of changes in share capital

(DKK 1,000)	2009	2008	2007	2006	2005
Share capital at the beginning of the period	103.500	103.500	103.500	75.000	75.000
Increase of share capital	-	-	-	28.500	-
Total	103.500	103.500	103.500	103.500	75.000

The notes 19-22 and 28 are an integral part of the Statement of Changes in Equity

Cash Flow Statement

(DKK 1,000)	Note	H1 2010	H1 2009	2009
Net profit/loss for the period		-7.156	9.992	-6.609
Depreciations		24.959	25.329	63.001
Taxes		-1.543	2.167	-1.455
Adjustments		23.416	27.496	61.545
+/- trade receivables		1.430	23.117	14.877
+/- prepayments		-4.544	0	1.507
+/- other receivables		919	0	9.679
+/- stock		-75	-2.884	-2.788
+/- shares in associated companies and other shares		0	0	229
+/- own shares		0	0	0
+/- trade payables		5.928	2.182	-3.158
+/- other liabilities and accrued expenses		30.978	27.042	-4.973
Cash flows from operating activities		34.636	49.457	15.373
Cash flow from operations activities		50.896	86.944	70.310
Purchase of intangible, tangible assets and prepaid aircraft	12,13,14	-11.854	-26.572	-65.384
Cash flows from investing activities		-11.854	-26.572	-65.384
Repayment of long-term loans	21	-6.520	-8.257	-16.768
Foreign exchange effect on cash		2.163	0	0
Paid dividends		0	-5.000	-5.000
Cash flows from financial activities		-4.357	-13.257	-21.768
Total cash flows for the period		34.686	47.115	-16.842
Cash, beginning of the period		65.519	82.362	82.362
Cash, end of the period		100.205	129.477	65.519

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

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 and for the period January 1, to June 30, 2010 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. The Schedule Services and Charter Services have 5 aircraft in operation as at 30 June supported by 156 employees with the operational base at Vágur. In the Helicopter Services there are 3 helicopters in operation supported by 10 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 2010 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 26, 2010.

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 2009.

The annual report for 2009, which is available at the Company’s website 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.

Notes

3. Business segment

Business segments

(DKK 1,000)	Aircraft Services		Helicopter Services		Total	
	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
Income statement						
Net sales	154.534	189.535	17.071	19.248	171.606	208.783
Total revenue from external customers	154.534	189.535	17.071	19.248	171.606	208.783
Total revenue	154.534	189.535	17.071	19.248	171.606	208.783
Operating expenses	159.093	189.879	19.601	21.710	178.694	211.589
Operating result	-4.559	-345	-2.530	-2.462	-7.089	-2.807
Effects of associated companies					0	0
Net financing costs					-1.610	14.965
Result before tax					-8.699	12.158
Income tax expense					1.543	-2.167
Profit					-7.156	9.992
Balance sheet						
Segment assets	302.264	333.521	124.016	132.161	426.280	465.682
Segment liabilities and equity	344.843	376.432	81.438	89.250	426.280	465.682
Cash flows						
Cash flows from operating activities	50.755	88.255	141	-1.311	50.896	86.944
Cash flows from investing activities	-11.854	-18.392	0	-8.180	-11.854	-26.572
Cash flows from financing activities	-2.576	-8.976	-1.781	-4.281	-4.357	-13.257
Other						
Depreciations and amortisation	18.635	18.790	6.324	6.539	24.959	25.329

Geographical segments

Revenue comprises the following markets:

	Faroe Islands		Europa		Total	
	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
Total revenue from external customers	102.750	113.409	68.855	95.373	171.606	208.783

Notes

4. Total external revenue (DKK 1,000)	H1 2010	H1 2009
Passenger transport	118.388	120.641
Charter activity	21.185	55.561
Cargo and mail	5.995	6.085
Other	15.455	16.007
SAR and Inter-Island services	10.583	10.489
Total	171.606	208.783

Significant customers

Last year revenue from trading with a significant customer, SAS, amounted to approx. 32% of net revenue in H1 2009. The charters for SAS expired on 31 May 2009.

5. Flight expenses (DKK 1,000)	H1 2010	H1 2009
Aircraft fuel	-28.352	-23.349
Aircraft maintenance	-11.836	-16.988
Other costs	-69.768	-92.406
Total	-109.956	-132.743

6. Specification of numbers of passengers:	H1 2010	H1 2009
Passengers fixed wing	81.905	88.137
Passengers fixed wing, charter	10.737	105.679
Passangers fixed wing	92.642	193.816
Passengers by Helicopters	4.133	3.120
Total passengers	96.775	196.936

Block hours:

Aircraft, block hours, scheduled services	2.680	2.880
Aircraft, block hours, charter	401	2.784
Total aircraft block hours	3.081	5.664

Helicopters	368	606
Total airborne hours	3.449	6.270

Income overseas:

Export value in DKK	68.855.223	95.373.370
Export value in %	40%	46%

Notes

7. Employee expenditures (DKK 1,000)	H1 2010	H1 2009
Wages and salaries	-37.980.127	-46.213.033
Pensions	-3.111.088	-3.130.320
Expenses for social security	-1.288.738	-1.589.396
Other employee expenditures	-1.400.035	-2.584.343
Bonus	-	-
Share-based payments	-	-
Total	-43.779.987	-53.517.092

Number of employees	166	221
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8. Depreciation, amort. and impairments (DKK)	H1 2010	H1 2009
Amortisation of intangible assets	-1.234.767	-936.043
Impairments of intangible assets	0	0
Depreciation of tangible assets	-23.724.166	-24.392.725
Impairments of tangible assets	0	0
Total depreciation, amortisation and impairments	-24.958.933	-25.328.768

9. Financial income (DKK)	H1 2010	H1 2009
Interest, cash, etc.	585.285	1.256.513
Dividends	0	120.000
Profit from options	1.322.512	18.079.012
Other interest income	61.434	150.036
Currency adjustments	1.806.306	784.644
Total	3.775.537	20.390.206

10. Financial expenses (DKK)	H1 2010	H1 2009
Interest on long term loans.	-2.677.082	-4.947.525
Other interest expenses	-243.805	-107.653
Currency adjustments	-2.464.364	-370.006
Total	-5.385.252	-5.425.183

Notes

11. Tax (DKK)	H1 2010	H1 2009
Taxes	0	0
Changes in deferred taxes during the period	1.542.836	-2.166.919
Total taxes	1.542.836	-2.166.919
Deferred taxes as of Jan 1st	25.130.055	26.585.364
Changes in deferred taxes during the period	-1.542.836	2.166.919
Deferred tax at the end of the period	23.587.219	28.752.283
Taxes from net profit/loss for the period:		
Calculated 18% tax of result before taxes	-1.565.750	2.188.519
Change from previous years	22.914	0
Dividend from other shares	0	-21.600
Total	-1.542.836	2.166.919
Effective tax per cent	18%	18%
Provisions for deferred tax comprises:		
Property, plant and equipment	31.409.945	31.565.812
Financial assets	88.698	376.010
Receivables	-504.000	-486.000
Tax loss carried forward	-7.407.425	-2.703.539
Total	23.587.219	28.752.283

12. Intangible fixed assets (DKK)

	Software
Acquisition value as of Jan 1st	14.500.740
Additions during the period	317.253
Disposal during the period	0
Acquisition value as of June 30th	14.817.993
Amortisations as of Jan 1st	-7.691.410
Amortisations during the period	-1.234.767
Amortisations of disposal	0
Amortisations as of June 30th	-8.926.177
Book value as at June 30th 2010	5.891.816
Book value as at June 30st 2009	5.806.722

Notes

13. Tangible fixed assets (DKK)

	Aircraft and maintenance	Spare parts	Operating Equipment	Hangar, buildings and land	Total
Acquisition value as of Jan 1st	384.907.503	41.258.941	21.011.262	47.214.671	494.392.377
Additions during the period	11.034.962	0	231.173	0	11.266.135
Disposal during the period	-17.698.625	0	-278.149	0	-17.976.774
Acquisition value as of June 30th	378.243.840	41.258.941	20.964.286	47.214.671	487.681.739
Depreciations and write-downs as of Jan 1st	-176.749.953	-23.322.506	-11.920.265	-6.760.009	-218.752.733
Depreciations and write-downs during	-20.931.238	-720.058	-1.091.819	-981.051	-23.724.166
Depreciations and write-downs of disposal	17.698.625	0	278.149	0	17.976.774
Depreciations and write-down as of June 30th	-179.982.566	-24.042.564	-12.733.935	-7.741.060	-224.500.125
Book value as at June 30th 2010	198.261.275	17.216.375	8.230.350	39.473.613	263.181.613
<i>Book value as at Dec 31st 2009</i>	<i>208.157.551</i>	<i>17.936.435</i>	<i>9.090.997</i>	<i>40.454.663</i>	<i>275.639.645</i>

14. Insurance value (DKK)

	Insurance value	Carrying amount
Aircraft and helicopters	483.000.000	215.477.650
Other equipment	*	47.703.963
Total		263.181.613

*Replacement value

15. Prepaid aircraft acquisitions

Prepaid aircraft acquisitions in the balance sheet is for the purchase of one Airbus A319 aircraft to be delivered in 2012.

Notes

16. Financial assets (DKK)

	Shares in ass.		
	companies	Other shares	Total
Acquisition value as of Jan 1st	570.000	947.291	1.517.291
Additions during the period	0	0	0
Disposal during the period	0	0	0
Acquisition value as of June 30th	570.000	947.291	1.517.291
Revaluations and Share of result as of Jan 1st	104.267	212.500	316.767
Revaluations during the period	0	0	0
Share of result in the period	0	0	0
Additions during the period	0	0	0
Disposal during the period	0	0	0
Revaluations as of June 30th	104.267	212.500	316.767
Book value as at June 30th 2010	674.267	1.159.791	1.834.058
Book value as at June 30th 2009	1.115.742	947.291	2.063.033

Name	Domicile	Comp. pos.	Share capital	Profit/Losses	Company's portion			
					Equity	Result before taxes		Profit/Losses
P/F Green Gate Incoming	Tórshavn	49%	500.000	*)	349.267	**) *	*)	*)
P/F Gjáargarður	Gjógv	27%	1.200.000	*)	325.000	**) *	*)	*)
					674.267	-	-	

*) Not available
**) As at Dec 31st 2008

17. Consumables (DKK)

	H1 2010	H1 2009
Inventories	3.836.608	3.857.248
Write-downs of inventories	0	0
Consumables total	3.836.608	3.857.248

18. Trade receivables (DKK)

	H1 2010	H1 2009
Trade receivables	23.139.442	23.264.042
Write-downs of trade receivables	-2.800.000	-2.700.000
Trade receivables total	20.339.442	20.564.042

Notes

19. 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.

20. Own shares

	Number		Nominal value		% of Share capital	
	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
1. Jan 10	11.111	0	1.111.100	0	1%	0%
Addition	0	11.111	0	1.111.100	0%	1%
Disposal	0	0	0	0	0%	0%
30 June 10	11.111	11.111	1.111.100	1.111.100	1%	1%

21. Revaluation reserve shares (DKK)

	H1 2010	H1 2009
Reserve as of Jan 1st	256.500	2.115.000
Adjustment for the period	-126.000	-607.500
Revaluations	0	0
Reserve at the end of the period	130.500	1.507.500

22. Retained earnings (DKK)

	H1 2010	H1 2009
Retained earnings opening	85.606.313	91.663.492
+ Dividend own shares	0	47.554
+ Net profit	-7.155.777	9.991.522
- proposed dividend	0	0
Total	78.450.536	101.702.568

Notes

23. Short- and longterm debt (DKK)

	Debt June 30th 2010	Short term debt 0-1 year	Due for payment after 5 years	Debt June 30th 2009
Mortgage debt	114.429.177	14.382.500	42.516.677	129.418.381
Trade payables	25.613.540	25.613.540	0	28.669.084
Deferred income and accruals	50.691.787	50.691.787	0	48.086.679
Total short- and longterm debt	190.734.504	90.687.827	42.516.677	206.174.145
Specified as follows:				
Short-term debt	90.687.827			95.038.264
Long-term debt	100.046.677			111.135.881

The company has not had any defaults of principal, interest or other breaches with respect to their liabilities during the period (H1 2009: the same).

24. Mortgaging and contingent liabilities etc.

Aircraft with a book value as at 30 June 2010 of DKK 198 million are mortgaged.

2,2 million DKK of the Cash and cash equivalents have been pledged.

The company has entered into a contract with Airbus, about purchasing an aircraft for US\$ 40.8 million, with an option to extend it with an aircraft. The company has so far paid up front US\$ 3.7 million. The delivery of the first aircraft is expected to be in the first quarter of 2012. A cancellation of the contract with Airbus is possible, but in that case the prepayment will be lost.

The company is obligated to pay a sum of 5.4 million DKK a year until 30 September 2013 for the lease of one aircraft. The leasing rate in 2013 is amounting to DKK 3.6 million.

Notes

25. Related parties

Control:	Basis of influence
Vinumálaráðið, Tinganes, 100 Tórshavn	Majority shareholder

Significant influence:

The Company has in H1 2010 provided helicopter services to the Faroese Ministry of the Interior amounted to 3.3 million DKK (H1 2009: 3.3 million DKK) and to the Faroese Ministry of Fisheries amounted to 7.0 million DKK (H1 2009: 7.0 million DKK). 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 company's. The Company has not granted loans, provided security, recourse guarantee or guarantee obligations obligations to the associated company's

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

26. Cash and cash equivalents (DKK)	H1 2010	H1 2009
Cash and cash equivalents	100.205.110	129.476.811
Total	100.205.110	129.476.811

27. Additional cash flow information (DKK)	H1 2010	H1 2009
Interest paid	-2.920.888	-5.055.178
Interests received	646.719	1.406.549
Total	-2.274.168	-3.648.628

Notes

28. Earnings per share	H1 2010	H1 2009
Net Profit/Loss for the year	-7.155.777	9.991.522
Number of shares	1.035.000	1.035.000
Number of own shares	11.111	11.111
Total (Excluding own shares)	1.023.889	1.023.889
Earnings per share (DKK) (EPS)	-6,99	9,76
Diluted earnings per share (DKK) (EPS-D)	-6,99	9,76

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.

29. Dividend

The Annual General Meeting on 25 March 2010 decided not to distribute a dividend for the financial year 2009. A dividend of DKK 5 million was distributed to Atlantic Airways' shareholders in 2009.

30. 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.

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009
INCOME STATEMENT (DKK 1,000)					
Total Revenue	92.838	78.768	82.926	110.428	107.509
Flight expenses	-59.201	-50.755	-54.284	-71.642	-69.297
Employee expenditures	-22.592	-21.188	-22.123	-24.195	-27.333
Result before depr., amort. and impairm. (EBITDA)	11.045	6.825	6.519	14.591	10.878
Depreciations, amortisations and impairment	-12.415	-12.544	-21.031	-16.641	-11.993
Result before financial items (EBIT)	-1.370	-5.719	-14.512	-2.050	-1.115
Net financial items	-417	-1.193	-862	-2.358	-766
Share of p/l of ass. companies	0	0	-441	0	0
Result before tax (EBT)	-1.787	-6.912	-15.815	-4.408	-1.881
Tax	322	1.221	2.829	793	360
Profit	-1.465	-5.691	-12.986	-3.615	-1.520

31. Currency gain

The interim first half report last year includes a currency gain of 17.7 million DKK.

Notes

32. Fleet reduction

In July, the company made arrangements to phase out the two remaining BAE 146-200 aircraft. One aircraft was sold to a subsidiary company of the Canadian based Tronos group and will be leased back for 2011 summer season. The other aircraft will be delivered to the Chilean based airline DAP in October on a lease / purchase agreement.

33. Events after the end of half year

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 2010.

Definitions

ASK: Available seat kilometres

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

RPK: Revenue Passenger Kilometres

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

Load factor

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

EBT

Earnings before tax.

EBIT

Earnings before interest and tax.

EBITDAR

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

EBITDA

Operating income before interest, tax, depreciations and amortizations.

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.

Block hours

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