



ASCENT OF A PEOPLE'S AIRLINE

Increasing its operations dramatically in the Faroes as well as in foreign markets, Atlantic Airways had a record performance in 2005—poised to meet competition prior to its own privatization and listing on the bourse in Reykjavik.

WITH THE PROSPECT of privatization this year, a sixth aircraft due to join the fleet, plus the launch of a local competitor, CEO Magni Arge faces the most exciting period ever in the history of Faroese state airline Atlantic Airways.

But he's used to challenges anyway, having built the company up from a single aircraft operation to today's fleet of five BA 146 'whisper jets' with the sixth sister scheduled to touch down at Vágar Airport in time for the summer season.

As regards competition, his view is simple—Atlantic had plenty of that from Maersk Air before its service to the islands was disbanded in 2004, so the new competitor essentially marks a

return to what had been the norm over the years.

Flotation on the VMF-ICEX securities market? That's different.

"It will be very important to ensure that we keep focus and ensure everything continues to operate as usual... working as a team and delivering the kind of service that our customers have come to expect," says Mr Arge, adding that he sees privatization as excellent protection against competition.

But how is Atlantic performing? Well, running with the slogan "more often, cheaper, more flexible," 2005 is seen as having been a year of contrasts... tough despite a huge rise in turnover and profits.

"We had a record financial result with before tax profits of 23.6 million kroner [EUR 3.2M / GBP 2.2M / USD 3.8M]. After tax profits were 20.7 million [EUR 2.8M / GBP 1.9M / USD 3.4M] compared to 14 million the previous year—a 46-percent growth.

"Turnover growth was 62 percent... from 234 million in 2004 to 380 million [EUR 50.9M / GBP 35.5M / USD 61.7M] last year," says Mr Arge, acknowledging that a fair chunk of this was because of Maersk's withdrawal from the Vágar route.

"While some of that is attributable to having no competition, there was strong underlying growth in the charter business outside Faroe, especially in

CEO Magni Arge, Vágar airport (center); BAE-146 aircrafts suits perfectly Faroese weather conditions (right); Regular Copenhagen and Reykjavik flights on a Friday afternoon at Vágar Airport (bottom right).

Norway, and a 10-percent increase in the overall market. Profits would have been higher but for rocketing aviation fuel costs driven by 60-dollar global oil prices."

Mr Arge sees plenty of opportunity for further development; that's why Atlantic is taking delivery of a sixth aircraft. And the key target is foreign chartering beyond Norway. His objective is to source more than 50 percent of the airline's revenues from international business by 2010 compared with today's 36 percent. This will be achieved through a mix of charter and scheduled services, with new routes and more aggressive marketing.

A good example of the latter is the Shetland-London service, which has met with a "very positive response" since its launch last year. Witness the 65-percent load factor achieved by this summer season venture designed to capture the imaginations and wallets of discerning tourists.

Mr Arge sees a lot of latent potential in this route, witness the decision to run a campaign targeting London commuters using the UK capital's huge metro network known as the Underground. The GBP 90,000 (DKK 964,000 / EUR 130,000 / USD 157,000) campaign was announced in March and comprises tube-train posters plus radio promotion, specialist media, website development and media relations

It invites tube travelers to take the "space shuttle"; escape the pressures of big city living, pollution and jams to the tranquility and stunning beauty and quality of life of Europe's Atlan-



tic islands... both Shetland and Faroe. "Space shuttle" is a cannily engineered campaign as Atlantic has joined forces with Visit Shetland to fund it. Backing too, are London Stansted Airport and the Faroe Islands Tourist Board.

This year, the Shetland-London service will operate twice weekly from June 23 through to the end of October and will incorporate a feeder into Faroe. The objective is to build this to a year-round operation for which the BA 146 is ideally suited.

This is in sharp contrast to 65 years ago when a British army officer, Leo Maxton flew around the Faroes in 1941 to search for the most suitable place to build an airport. He selected Vágar, a strip was prepared and the first plane landed in the autumn of 1942. It was World War 2.

After hostilities ceased, the Faroese people had to wait until 1963 before a regular passenger route was established... by Iceland to Copenhagen. But it was not until 1987 that Atlantic was cre-



ATLANTIC AIRWAYS

Vágar Airport, FO-380 Sörvágur

http://www.atlantic.fo
E-Mail: info@atlantic.fo
Tel.: +298 341010
Fax: +298 341001

Chief Executive Officer: Magni Arge

Atlantic Airways is the Faroe Islands' national carrier with five BAE-146 aircrafts and two Bell helicopters and its all-jet fleet links the Faroe Islands with neighboring countries, including Denmark, Iceland, Norway and Scotland.

New route from 23 June to 30 October 2006: non-stop link from London Stansted to Sumburgh (Shetland) – as well as twice-weekly services between Shetland and the Faroe Islands. Atlantic Airways also operates flights on behalf of other carriers to Greenland, as well as flying charter contracts throughout Northern and Central Europe.

ated, with regular flights inaugurated the following year using a single BA 146 aircraft.

Today, it's a very different company but Mr Arge, who has been CEO since 1995, is clearly ready for the next challenge... ensuring that, when the time comes, Atlantic will have a successful IPO.

He clearly lives his job; the aircraft are like family. "I love watching them coming in to land," he adds, "it's something I never tire of... it always gives me a thrill when they arrive home safely."