

ANNUAL REPORT 2021



Company information

The Company	Royal Arctic Line A/S Qeqertanut 46 P.O. Box 1580 3900 Nuuk Telephone: +299 34 91 00 E-mail: ral@ral.gl Homepage: www.ral.gl
Registration number	A/S 209.527
CVR. number	16545538
Registered	Nuuk, Greenland
Share capital	DKK 120 million
Ownership	Wholly owned by the Government of Greenland, Nuuk, Greenland.
Board of Directors	Ulrik Blidorf, Chairman Erik Jørgen Østergaard, Vice Chairman Miinannguaq Hilda Zeeb Heiðrún Jónsdóttir Erik Sivertsen Julia K. Olsen Eydun Simonsen* Jens Peter Rosing Berthelsen* Laust Lindskov Vestergaard* <i>* Elected by employees in 2018 for a four-year term</i>
Management Group	Verner Sonny Daugård Hammeken, CEO Aviâja Lyberth Lennert, Deputy CEO / CEO Arctic Umiaq Line Peter Christoffersen, CFO Anders Bay Larsen, Senior Director, Fleet Management Ivalu Kleist, COO, Operations Bebiane Boye Hansen, CHRO, Human Resources Niels Clemensen, CCO, Customer Service & Sales
Auditors	Grønlands Revision A/S PricewaterhouseCoopers

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*This document is an unofficial
translation of the Danish original.
In the event of any inconsistencies
the Danish version shall apply.*

Financial highlights

Developments in the Group can be described over a five-year period with the following financial highlights:
DKK million

Income statement	2021	2020	2019	2018	2017
Net revenue	1.054	979	904	876	796
Total revenue	1.076	992	970	942	861
Operating profit	28	14	35	32	(2)
Net financials	(24)	(11)	(8)	(9)	(6)
Profit for the year before tax	4	2	27	24	(8)
Profit/loss for the year	2	2	25	14	(7)
Dividend	3	3	3	0	0
Balance sheet					
Balance sheet total	1.580	1.647	1.287	1.175	1.137
Investment in intangible and tangible fixed assets	433	413	170	185	135
Net working capital	68	111	137	158	(48)
Long-term liabilities	615	663	353	292	2
Equity	686	682	688	663	642
Cash flow statement					
Cash flow from operating activities	47	108	145	79	159
Cash flow from investing activities	(105)	(405)	(169)	(181)	(130)
Cash flow from financing activities	(24)	337	63	40	16
Changes in cash and cash equivalents	(81)	40	39	(62)	45
Cash at year-end	176	258	218	179	240
Key ratios *					
Profit margin (%)	2,7%	1,4%	3,9%	3,8%	(0,2)%
Return on capital (%)	1,8%	0,8%	2,8%	2,8%	(0,1)%
Return on equity (ROE)	0,3%	0,2%	3,7%	2,2%	(1,0)%
Solvency ratio (%)	43,4%	41,4%	53,4%	56,4%	56,4%
Return on invested capital (ROIC)	2,2%	1,2%	3,9%	4,2%	(0,2)%
Leverage of operating assets	1,9	1,9	1,4	1,3	1,2
Average number of full-time employees	849	794	759	760	744
Pre-tax profit per employee (DKK 1,000)	5	3	36	32	(10)
Net revenue per employee	1,24	1,23	1,19	1,15	1,07

* Financial ratios are calculated in accordance with the CFA Society Denmark's "Recommendations and Financial Ratios" In connection with changes to the accounting classification of revenue, the comparative figures 2017–2019 have not changed.

Definitions of ratios

Net working capital	=	Current assets – short-term debt
Profit margin (%)	=	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Net revenue}}$
Return on capital	=	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Total assets}}$
Return on equity (ROE)	=	$\frac{\text{Profit for the financial year} \times 100}{\text{Average equity}}$
Solvency ratio (%)	=	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Average capital invested incl. goodwill}}$
Leverage of operating assets	=	$\frac{\text{Capital invested incl. goodwill}}{\text{Equity at year-end}}$

Net working capital is defined as inventories, receivables and other operating current assets less trade payables and other short-term operating liabilities.

Corporation tax receivable and payable as well as cash and cash equivalents are not included in net working capital.

Foreword

At Royal Arctic Line, we are proud that the company is responsible for ensuring the supply of goods to the whole of Greenland by sea. This responsibility means all of our activities are placed under a legal obligation. It is a big part of our DNA and we work continuously to ensure that the country's supply needs are met, even in the face of external forces that are harmful to the supply of goods by sea.

2021 was another year dominated by the coronavirus pandemic. Once again this year it has been important that we ensure that the public are at all times confident that the supply of goods by sea will not fail. We have succeeded in doing this, no small thanks to the major efforts of all of our employees at the ports, on ships and in our offices, working in close collaboration with the authorities.

The coronavirus pandemic has also caused turbulence in the global freight market like never before. There have been severe delays, major container shortages and very significant freight price hikes. Freight price hikes of 80% for single containers were not an unusual occurrence at major global shipping companies in 2021. In the light of this, Royal Arctic Line is satisfied that we have maintained stable freight prices and surcharges in 2021. We only adjusted prices by just under 10% due to fluctuations in oil prices. We believe that price stability is also part of our legal obligation to ensure the supply of goods by sea.

Royal Arctic Line has invested more than DKK 1.2 billion in acquiring new ships in the last six years. We now have a new and very young fleet compared to the situation in 2015, when the average age of our vessels was 29 years old. We are proud that we made such major investments in the modernisation of the company's most important assets without raising freight prices during this period. New ships mean better working conditions for our employees and improved operational reliability, which means strengthened reliability of shipping.

Reliability also involves ensuring that we are able to meet the demands of the future. Our vision is that it should be easy to do business with all of Greenland. Consumption patterns around the world have been changing radically due to digitalisation in recent years. This will change Greenland's export and import conditions. It requires that our shipping services have greater global accessibility, aided by new ports, partnerships with other parties, IT solutions and a higher degree of standardisation. Ensuring a sustainable future for the whole world also places new demands on the way we do things. All of these factors are increasing the complexity of our tasks.

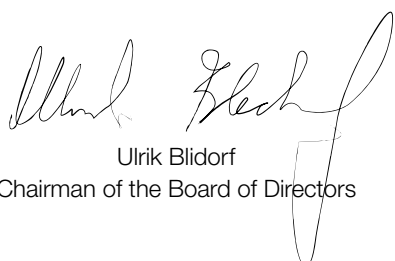
Royal Arctic Line must ensure that this complexity is translated into a simple and accessible service for everyone. This requires collaboration and development. It requires that we all understand each other and that we can respond to the opportunities we identify, and that we are not bound by our own investments in ports outside Greenland.

The strategic work of the board of directors and the executive management is therefore focused on ensuring that our shared culture at Royal Arctic Line can be realised in the best possible way, and that it creates the basis for strong shipping services for the benefit of all our customers and for the growth potential created by our new way of operating. In this fashion, our duty to supply the whole of Greenland is future-proofed, and ensures the greatest contribution possible to the development of all of Greenland.

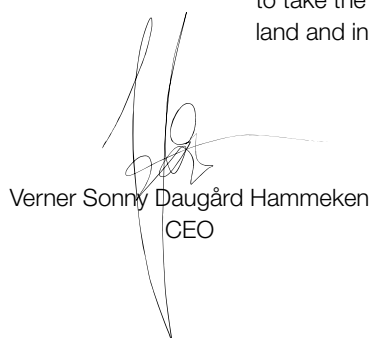
We set high standards for ourselves and our conduct. In December 2021. We introduced a company whistleblower scheme to ensure that we all feel secure in the developments unfolding around us.

We hope that by reading this annual report, you will be able to see that Royal Arctic Line is constantly developing. Greenland is moving from the old static and rigid system of shipping towards a dynamic and open shipping system. The process is a long one, but we have made excellent progress in a challenging year, with very satisfactory results.

These financial results could not have been achieved without the great efforts of all our employees and we therefore want to take the opportunity to thank every single employee, on land and in the fleet, for their excellent efforts in 2021.



Ulrik Blidorf
Chairman of the Board of Directors



Verner Sonny Daugård Hammeken
CEO



Management Report

Supply services have been generally stable in 2021. After the challenging year of 2020, we returned to our normal level of regularity

The ships in our Vessel Sharing Agreement (VSA) with Eimskip call at nine ports before they return to Nuuk. This means that we now arrive at Nuuk on Fridays. Compared to before, this actually places greater demand on regularity. We have now started to calculate by hours, compared to the “old days” when we calculated by day. This places greater demand on the terminal operation in Nuuk, where the transshipment of goods to the coast is a critical function.

Maintaining the Atlantic ship's arrival times in Nuuk was challenging due to weather conditions in the autumn. We compensated for these delays by staying open beyond normal office opening hours to carry out the delivery of containers to staple goods stores in Nuuk.

Productivity developed strongly in the Port of Nuuk in 2021. This was due to excellent planning and strong execution of those plans. This helps to turn the ships around on time, preventing further delays and it has helped to ensure greater reliability on the coast. This saves bunker oil, which reduces costs and is good for the environment.

We faced challenges with our East Greenland Service, where the ship Nanoq Arctica had departures and arrivals between Reykjavik and Tasiilaq at times when the local business community were experiencing transport delays. There is definitely a theoretical basis for better services. There is a 14 day period between each ship to Tasiilaq instead of three weeks. We expect that market development in the long term will benefit from increased trade in fruit and vegetables and dairy products with Iceland, which thus could ensure fruit and vegetables and dairy products every 14 days with few transport days, instead of the current solution from Denmark.

Ship regularity at the settlements has been good during 2021. We have not experienced any significant breakdowns of settlement ships.

Two newly built ships, Siuana Arctica and Maleraq Arctica, started shipping operations in their respective areas, Upernavik and Uummannaq. It was therefore only natural to officially name the ships in their respective areas. Upernavik attracted a large crowd from all over town, but the Uummannaq ceremony had to be conducted under the new coronavirus restrictions. But both name-giving events were memorable and festive. The two new ships are optimised to handle containers and pallets, and this has worked out very well in their respective areas. With the sale of the old ships for environmentally responsible scrapping, the fleet's average age fell to 10 years in 2021.

The last two new-built ships, Arpaarti Arctica and Tiliq Arctica, will be delivered in the first quarter of 2022. This means that the company has reinvested in its whole fleet in the last six years, with the average age of the ships in the fleet reduced from 29 years in 2015, to 7.5 years in 2022.

The long process to the new sailing system took a step closer when refrigerated and frozen goods were transferred to a business partner in 2021. After a thorough planning phase, cargo volumes were transferred to the new operator and since November, refrigerated and frozen cargoes are now loaded from Aarhus.

The operation in Iceland was strengthened by getting its own warehouse facilities at our agent's address in Iceland. The market for Iceland to Greenland shipping has grown considerably (approx. 60%) since the vessel sharing agreement with Eimskip started in June 2020. Growth in fruit and vegetables and dairy products has been the main driver of this market growth.

Traffic in Royal Arctic Line's markets between Scandinavia and Iceland also increased through the year, although not as quickly as we had hoped. The pandemic has undoubtedly had a negative effect on customers' willingness to try out new suppliers, but we have gradually built up good and stable volumes. This means we can utilise the capacity of our ships, and thus improve earnings for the company.

The company has also strengthened its governance and compliance in 2021. Royal Arctic Line senior management completed a training programme in GDPR and competition law in 2021. Royal Arctic Line has also taken a major step forward in defining our CSR focus areas, actively participating in local networks to clarify which areas we must deal with. In relation to corporate governance, the biggest milestone by far was the introduction of a whistle-blower scheme ahead of the 17 December 2021 deadline for corresponding companies in the EU.

There has been a noticeable “Coronavirus effect”, with significant costs resulting from changes to crews, delayed initiatives, particularly in relation to the latest newly-built ships and the commercial start-up in Iceland.

The company's coronavirus crisis contingency planning has proven to be very effective in terms of keeping supply services stable, with clear levels of contingency planning and rapid follow-up on announcements from the authorities. There was much uncertainty associated with quarantine and illness in relation to its potential impact on our hourly-paid employees' incomes. We are particularly satisfied that we dealt with this at the start of the pandemic, by ensuring payment of normal hourly wages to employees should they be in quarantine or isolation. This meant our hourly-paid employees could plan infection prevention measures without having to worry about their personal finances. Strong teamwork at the ports helped to ensure that the work could subsequently be planned locally.



Royal Arctic Line has maintained its freight prices at the same level for the last six years. We are proud of this for two reasons: Firstly, Royal Arctic Line has managed to reinvest financial resources in modernising the entire fleet, investing more than DKK 1.2 billion without raising prices during this period. Royal Arctic Line has also managed to keep cost increases in check for the last six years, despite rising payments to Sikuki Nuuk Harbour A/S to cover the construction of the new port at Nuuk.

However, the cost of modernising the company as well as rising inflation is increasing pressure on our fixed price strategy and this may lead to a reassessment during 2022.

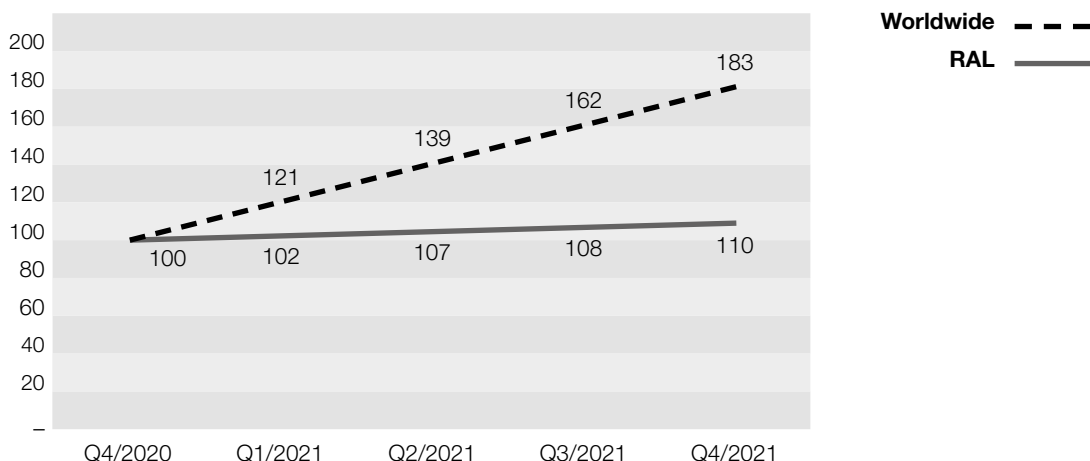
Secondly, Royal Arctic Line has had the opportunity to shield Greenland from the significant increases in freight rates that have taken place globally since the third quarter of 2020. For example, one of the leading global shipping companies reported in its financial statements freight rates increases of

83% from the fourth quarter of 2020 to the fourth quarter of 2021; a trend that is clear among the other global operators. During the same period, Royal Arctic Line's prices have only developed in relation to bunker oil prices and the exchange rate, and increased by approx. 10%. Royal Arctic Line has chosen to risk manage the oil price, which means there is no speculation in the development of the bunker oil price; it is passed on to the customers. Since it is well-known that speculation can lead to unexpected losses, this position also helps to create more transparent risk management, while also contributing to the overall stability of supply costs.

Note that the increase from oil price per container unit, as stated in the annual accounts for a leading global shipping company matches Royal Arctic Line (9.6%) in USD and is actually higher when converted to DKK (10.4%). Royal Arctic Line's oil price increases thus benchmark very accurately against global conditions.

DEVELOPMENT IN SHIPPING RATES

RAL compared to global company
Q4/2020 = index 100



Oil is a major item and it impacts on our carbon footprint. We have decided to launch a formal climate report, beginning in 2022. This report will help us to set more precise climate goals in the future. The renewal of our fleet in the last few years has positioned us very strongly in terms of being able to utilise new technologies as they become available when our current fleet needs to be renewed.

We have made good progress in 2021. In many ways, 2022 will be a landmark year for the changes that have been started, especially in relation to the long-term sailing at Aalborg. Royal Arctic Line is well equipped to perform this task, in collaboration

with partners who can strengthen our development towards an open and dynamic transport network for Greenland.

Cargo volumes

2021 cargo volumes increased by almost 5%, compared to the period 2020–2021. The increase was primarily driven by growth in internal cargo volumes, which increased by 27% in 2021. This was because prawns were not landed in the same ports where production took place. In other words, there was an increased demand for the transport of raw materials in 2021.

Northbound cargo

Northbound cargo volumes (in cubic metres)	Realised 2020	Realised 2021	Development	Indexing	Share of total development in percentages
Standard cargo	326.677	340.617	13.940	104	517%
Car, boat, construction machine	31.097	21.641	-9.457	70	-351%
Dangerous goods	5.703	6.466	763	113	28%
Hazardous temperatures.	256	176	-80	69	-3%
Flatrack cargo	15.510	14.191	-1.318	91	-49%
Oversize cargo	7.450	5.438	-2.012	73	-75%
Tank containers	3.723	3.930	207	106	8%
Temperature controlled	99.055	100.971	1.916	102	71%
Transport equipment	11.645	8.906	-2.739	76	-102%
Other	426	1.905	1.479	447	55%
Total northbound	501.542	504.240	2.698	101	100%

Overall, there was only a slight increase in northbound cargo, which was contrary to the high level of economic activity in society. The high level of economic activity in society, which included high levels of private consumption and ongoing capital investments, led to a growth of 4% in general cargo and 2% in temperature-controlled cargo.

However, the increase was nullified by a decline in “car, boat, construction machinery”, “transport equipment” and “oversized cargo”, which was because the equipment for carrying out major projects was shipped in 2020. Overall, the result was a net growth of 1 percent.

Southbound cargo

Southbound cargo volumes (in cubic metres)	Realised 2020	Realised 2021	Development	Indexing	Share of total development in percentages
Standard cargo	11.901	15.986	4.084	134	45%
Car, boat, construction machine	1.144	1.723	579	151	6%
Dangerous goods	2.672	3.291	619	123	7%
Hazardous temperatures.	0	3	3	854	0%
Flatrack cargo	125	124	-1	99	0%
Environmental goods	5.000	5.483	483	110	5%
Oversize cargo	23	113	91	501	1%
Tank containers	-	-	-	-	0%
Temperature controlled	282.022	282.153	131	100	1%
Transport equipment	12.481	15.771	3.291	126	36%
Other	1.076	848	-228	79	-3%
Total Southbound	316.444	325.496	9.052	103	100%



Southbound cargo is primarily driven by the export of shellfish and fish products. It was largely unchanged during the period 2020 to 2021.

“General cargo” and “Transport equipment” together have increased southbound cargo by approx. 3%. This is likely due to high levels of immigration and migration of manpower due to the major economic activity.

Domestic cargo

Internal cargo volumes (in cubic metres)	Realised 2020	Realised 2021	Development	Indexing	Share of total development
Standard cargo	77.068	83.203	6.134	108	18%
Car, boat, construction machine	10.214	14.559	4.345	143	13%
Dangerous goods	2.176	2.172	-4	100	0%
Hazardous temperatures.	15	0	-15	1	0%
Flatrack cargo	1.446	1.602	156	111	0%
Environmental goods	1.760	2.190	430	124	1%
Oversize cargo	728	835	107	115	0%
Tank containers	-	-	-	-	0%
Temperature controlled	29.633	52.364	22.731	177	66%
Transport equipment	4.366	4.815	449	110	1%
Other	221	366	145	166	0%
Total Internal	127.626	162.106	34.480	127	100%

Domestic cargo growth is driven by the shipping of raw materials between Royal Greenland's facilities.



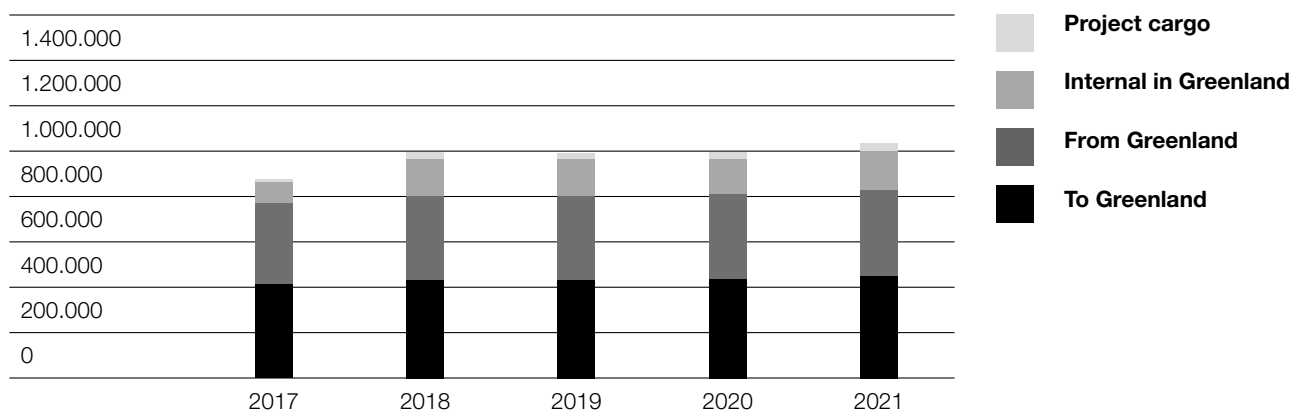
Project cargo

	Cubic Metres			Amount		
	2021	2020	Development	2021	2020	Development
1. Northbound	34.415	33.154	4%	25.408.914	27.209.385	-7%
2. Southbound	4.586	2.204	108%	903.140	452.135	100%
3. Internal	1.493	115	1203%	589.097	78.181	654%
4. Other	1.508	1.676	-10%	180.734	11.978	1409%
	42.002	37.148	13%	27.081.885	27.751.680	-2%

Major ongoing projects (the airport, school buildings, etc. in Nuuk) are continuing to generate a high level of northbound project cargo. The increase in domestic project cargo is due to cargo being moved between the airport buildings and increased activity on mineral exploration projects.

An increase in southbound cargo and turnover has been generated by exports and containers from Hudson Minerals (Nu Lumina, changed its name at the end of 2021).

CARGO VOLUMES



Profit or loss for the financial year

Royal Arctic Line posted a consolidated profit of DKK 4.0 million before tax and DKK 2.0 million after tax in 2021, compared to a pre-tax profit of DKK 2.4 million and a profit of DKK 1.6 million after tax in 2020. Royal Arctic Line turnover increased to DKK 1,054 million in 2021, an increase of DKK 75 million compared to 2020 when turnover was DKK 979 million. This figure includes an increase in bunker oil surcharge of DKK 27 million, which is offset under other external costs with a corresponding increase in costs related to bunkers. The figure includes an additional payment from Sikuki of approx. DKK 9 million, which was related to a concluded arbitration case. This leaves an organic increase of DKK 39 million in 2021, relating solely to the increase in cargo and non-concession revenue, since once again, Royal Arctic Line completed the year without changing freight rates.

External costs are in line with the previous year once adjustments are made for the developments in bunker oil prices. Staff costs increased by DKK 21 million; primarily relating to hourly wages, which have a natural correlation with the increases in freight volumes.

Depreciation increased by DKK 16 million in 2021, which is expected when adjustments are made for the delays related to the four settlement ships. This is very close to the expected maximum for depreciation. Two settlement ships have yet to be delivered in 2022. The reinvestment programme will be fully completed when they are delivered, and thereafter the natural level will have been achieved.

Financial costs increased by DKK 11 million, in part relating to the capitalisation of loans for two settlement ships in 2021. Approx. DKK 4 million is related to the refinancing of the Nanoq Arctica, which is described in the 2020 annual report. In terms of accounting, this amount must be booked in operations, but the total profit from the refinancing is estimated to be DKK 7 million over the duration of the new loan.

This results in a profit before tax of DKK 4 million. The company estimated that it would be in range minus DKK 12 million to DKK 1 million by the half year. Sikuki's earnings of DKK 9 million means that the company is slightly above expectations for the half-year period.

The company maintains the estimate from the interim annual report of approx. DKK 17 million associated with Coronavirus related costs, which results in a profit of DKK 12 million before tax net extraordinary costs and earnings (Coronavirus, Sikuki). This is in line with the previous year. But given the significantly higher depreciation costs, management considers it very satisfactory.

The Board of Directors will propose at the upcoming annual general meeting in 2022, that Royal Arctic Line distributes DKK 2.55 million in dividend.

The Royal Arctic Line Strategy

The reorganisation of Greenland services over the last six years is historic. Since relocating from Copenhagen to Aalborg in December 1972, and since the formation of Royal Arctic Line A/S in 1992 and subsequent containerisation, changes have never been as great as they are now.

Like many other major changes, this has obviously generated much debate.

The company's fleet consisted of old ships in 2015. They had an average age of almost 30 years. Services to and from Greenland were based on a base port in Denmark with little cargo outside Greenland routes. The company called at Reykjavik on its northbound route every third week, only to load goods from Iceland to Greenland. The services solution for Greenland was very specialised and thus had static and rigid transport routes, without the possibility of participating in other services in the North Atlantic.

The construction of the new Atlantic Port in Nuuk opened up the possibility of moving the base port to Greenland. Relocating the base port from Denmark opens up entirely new possibilities for the company to future-proof and streamline the operation. By using more standardised ports outside of Greenland and thus gaining access to greater numbers of ports and more commercial ports, and by using more standardised ships, which thus can be included in collaboration with others. This standardisation simplifies Royal Arctic Line's operation, as it no longer has to operate its own container terminal in Denmark and all ships.

Collaboration with other shipping companies reduces the need for new investments significantly, as we share space with others on their ships. With Tukuma Arctica, we have thus ensured capacity that we would otherwise have had to have acquired by purchasing and maintaining a total of three ships. The solution is also more cost-effective, as Tukuma Arctica can take large quantities of cargo, does not need cranes or the special and more expensive features that Greenland shipping otherwise requires, with special ice reinforcement and size limitation.

Collaborative sailing between several commercial ports outside Greenland has made it possible for Royal Arctic Line to make better use of its capacity. Whereas previously it was not possible to optimise the available space because the management of capacity was just for Greenland, now the utilisation of ship and container capacity was possible and thus this could be utilised for generating alternative earnings. It is possible because we now sail to ports used for Icelandic services and because we now call at Iceland each way every week, all year round.

Finally, the base port in Nuuk enables even more optimisation of the container space on board the ships in the future, because over time we can pack general cargo containers more efficiently so there is less unused space and can handle the further shipment from Nuuk after transshipment. As Royal Arctic Line has historically packed containers for the destinations, we have transported a lot of unused space across the Atlantic. The optimisation of the handling of goods in Nuuk has a lot of space-saving potential, which with the new sailing can be converted into added value for the company by transporting alternative goods.

So fewer investments, fewer operational costs, in a standardised and dynamic network that does not require resources on land outside Greenland and at the same time, integration with the global logistics network, with improved potential in the future for shipping Greenlandic exports to the world without transshipment in Denmark. Like almost all forms of optimisation, this has also had a positive impact on the environment in general. Finally, the collaboration with others and the use of more standardised port solutions outside Greenland has made it possible for Royal Arctic Line to incorporate the effect of increasing digitalisation and e-commerce into the solutions by creating the possibility of solutions with more transport corridors.

We are thus much better able to respond to the dynamics of the shipping markets by virtue of our partners and have a much greater development potential within these partnerships, thereby ensuring that even a concession service can be positively influenced by outside forces for the benefit of everyone.

The status of Royal Arctic Line's 2015–2021 strategy execution is that the physical aspect of these changes are now almost in place, with the final actions taking place in 2022. From 2023 onwards, the focus is therefore on the company's ability to utilise the new opportunities and to reduce our environmental footprint with new goals, create greater employee development, streamline the handling of goods generally as we integrate with the global logistics patterns we are subject to. We also hope that this will result in direct Greenlandic exports once the new transport opportunities gain a strong footing among exporters. It will take time, but the opportunities already exist and will multiply over time and will definitely help to increase the value of exports for Greenland.

Royal Arctic Line focused on this in the latest update of the strategy from autumn 2021, by ensuring a way forward that creates the best opportunities for our employees to make a joint effort for strong deliveries, and also to utilise new earnings opportunities that were not previously open to the company.

Changes in the Board of Directors and Executive Board

At the 2021 AGM, Erik Sivertsen and Julia Knudsen Olsen were elected, and Mai-Lill Ibsen and Stefan Dirk Buck stepped down from the Board of Directors. The other members of the Board of Directors were re-elected. The Board of Directors thus consists of Ulrik Blidorf (Chairman), Erik Jørgen Østergaard (Deputy Chairman), Minannguaq Hilda Zeep, Erik Sivertsen, Heiðrún Jónsdóttir and Julia Knudsen Olsen, and employee-elected members Jens Peter Rosing Berthelsen, Eydun Simonsen and Laust Lindskov Vestergaard.

Lars Borris Pedersen left his position as CCO and Tommy Ege Kristensen left his position as CHRO in 2021. They were replaced by Niels Clemensen (new CCO) and Bebiane Boye Hansen (new CHRO).

Events after the end of the financial year

No events have occurred after the balance sheet date to this date to change the assessment of the annual report. As stated earlier in the report, the company started and concluded negotiations with a view to ceasing operations out of Aalborg in 2022. The necessary provisions associated with this action are associated with the 2022 financial year.

Bunker Adjustment Factor/Currency Adjustment Factor

Royal Arctic Line uses the Bunker Adjustment Factor/Currency Adjustment Factor to hedge the risk of fluctuations on world markets and there is no margin for Royal Arctic Line in this area. No other hedging measures are used in relation to developments in oil prices. The benchmarking of oil price developments benchmarks in relation to what is seen for the oil share of the unit price in a leading global container shipping company in 2021.

The price of oil increased significantly in 2021 and stabilised after the major uncertainties in the market in 2020. The price of oil increased by just over 50% over the year. Royal Arctic Line's Bunker Adjustment Factor/Currency Adjustment Factor is determined on the basis of oil prices and the exchange rate, which means that the factor has been adjusted to match the market throughout the year.

New ships programme

The comprehensive new ship programme started in 2015. The last two new ships are planned to be delivered in 2022 and that should be the end of the programme. This completion date is later than was originally announced. The delay is primarily due to the coronavirus pandemic in 2020 and 2021 which has also affected Spanish shipyards.

Corporate Social Responsibility

Royal Arctic Line plays an essential role in relation to Greenland's critical infrastructure and in terms of transport, it is a vital artery for Greenlandic society. This means the company has a social responsibility, which we exercise by way of our activities throughout the year.

As a company owned by the people of Greenland, we have an even greater responsibility in the way we conduct our activities. This includes the working conditions of our employees and the opportunities for their development. This also includes our impact on the climate and the environment, and the way we act in relation to our business partners, customers and relevant authorities.

Revitalisation of the company's CSR work began in 2020 and continues. Basic analysis work has been carried out to identify the company's positive and negative impact on society, climate and the environment, and an internal and external stakeholder analysis has highlighted which crucial areas the company must focus on. The foundation has therefore been laid on which to set specific goals for the company's CSR work, and this will form the basis for the company's future CSR strategy, which will be formulated in 2022.

Climate and the environment are on the agenda, and preliminary steps to ensure we can present true and fair climate accounts are expected to be fully rolled out in 2023. This is a comprehensive process and will continue in 2022.

Steps have been taken to strengthen the organisation in the CSR area, which in 2022 will result in the merger of CSR and compliance, both of which are already under the same organisational unit. The merger of these two functions will create synergy, freeing up more resources for raising the level of the governance and strengthening the starting point for the compliance work.

The company continues to work with climate and the environment, health and safety, competence development and education, and its involvement in the local community, and the operational and developmental focus areas and governance ensure that goals and follow-up on ethical and diversity-based development areas are complied with.

The statutory CSR report and the gender composition of the management bodies, cf. Sections 99 a and 99 b of the Danish Financial Statements Act, are considered in a separate CSR report, which is available on the Royal Arctic Line website: www.ral.dk/regnskaber.

Outlook for 2022

Royal Arctic Line's main activities are based on the shipping of cargo to, from and within Greenland. The level of activity is therefore determined by how much cargo is moved, and earnings in Royal Arctic Line reflect economic developments and trends in society. Royal Arctic Line expects the level of activity in Greenland in 2022 to be the same as 2021. This is primarily due to a continued high level of local investment and its subsequent effect on freight volumes. Following the implementation of the VSA with Eimskip in 2020, Royal Arctic Line has a secondary activity associated with new markets, which the new network provides access to. However, the utilisation of this access was limited in 2021 due to the coronavirus pandemic. Turnover related to new markets is expected to be DKK 10-16 million in 2022.

The company plans to complete its network transformation in 2022. The last remaining step being the ceasing of operations in Aalborg and the relocation of the last activities to Aarhus. There will be a number of costs associated with this process - the laying off of affected employees, the return of areas and a period of time with double operating costs,

which will have a significant impact on the 2022 financial year. At the same time, the company work processes, systems and organisation is undergoing transformation to work in new ways, which also entails costs. These are one-off costs by their nature, and it is expected that operations will have already normalised by 2023.

This, combined with systematic uncertainty associated with developments in freight volumes means that expectations for 2022 continue to have a higher level of uncertainty, and are at a level similar to what was observed in 2020 and 2021.

Cash flows from operational activities are also expected to be positive in 2022. The company is assessed to have adequate financial resources for operations in 2022.

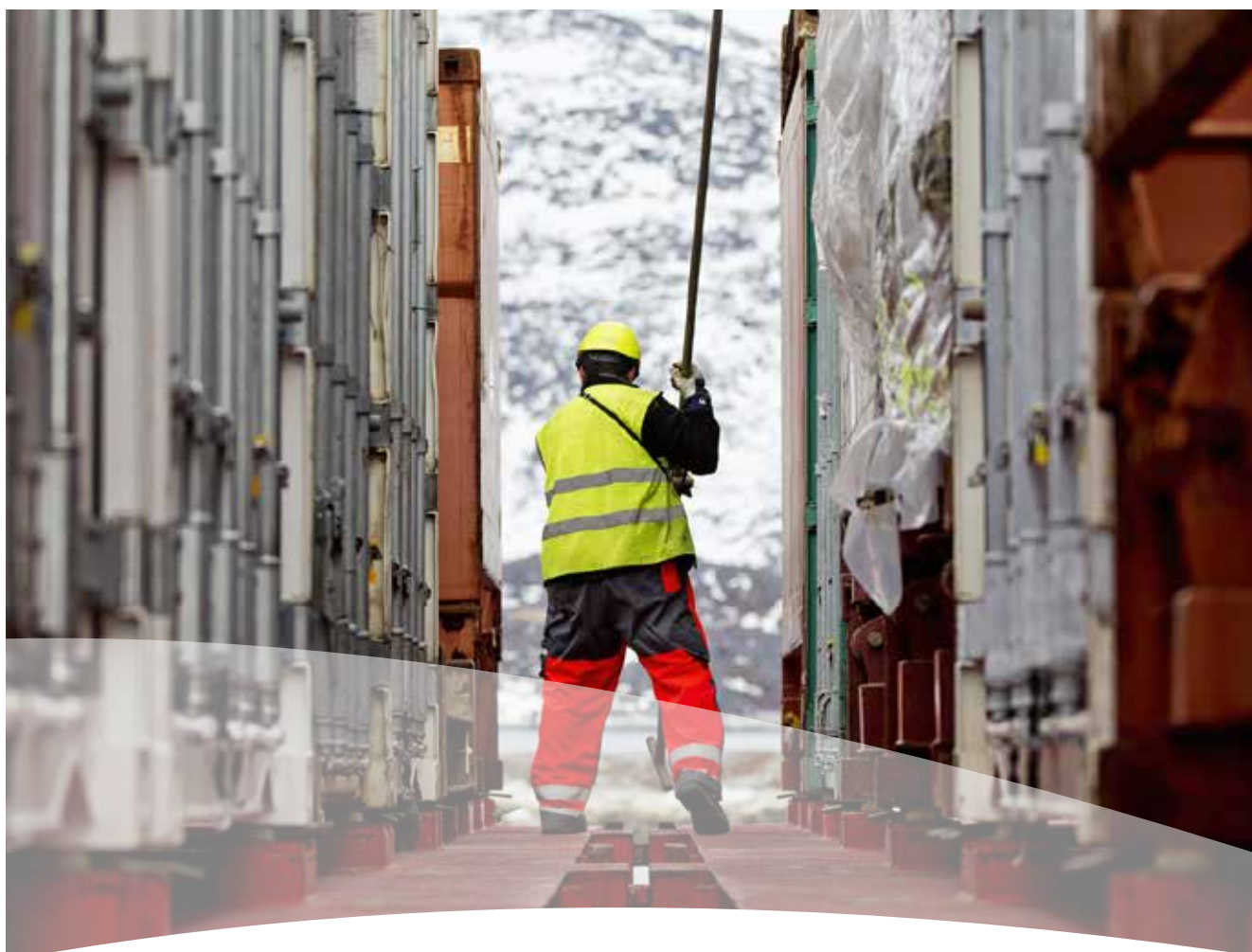
Overall, profit before tax for the Royal Arctic Line Group is expected to be DKK 56-66 million for 2022.



Financial risks

As described in the 2020 annual report, Royal Arctic Line chose to hedge the risk associated with negative interest rates. It was stated that this would be done against accepting a higher interest margin, which was also the case for Tukuma Arctica. But for Nanoq Arctica, the company chose to restructure to a traditional bank loan with Jyske Bank instead. The loan restructuring was so favourable that in addition to the elimination of risks associated with the negative interest rates, a gain of around DKK 7 million was obtained in present value. In 2022, all of the company's loans are either fixed-rate EUR loans or loans that are secured using financial instruments against fluctuations related to currencies and interest rates (including negative).

In addition to the financial risks associated with financing, Royal Arctic Line splits the company's risk profile into systematic risks (macroeconomic risks), and unsystematic risks (risks unique to Royal Arctic Line). Unsystematic risks are primarily related to the new ship programmes, which is standard for all shipping companies. At the turn of the year, Royal Arctic Line had only two uncompleted new ship builds remaining at the Nodosa yard in Spain. The company took delivery of Maleraq Arctica from the Zamakona yard in 2021, which together with Siuana Arctica, completed the order placed with Zamakona the year before. Two new Spanish companies have been established as part of the financing model for these two ships, until final ownership can be transferred to the parent company (see "Royal Arctic Line Group").



Market risks

Royal Arctic Line works in accordance with a concession agreement. The concession agreement is both a right and a legal obligation to provide security of supply. Having the necessary capacity to fulfil its obligations makes the shipping company vulnerable to even small fluctuations in cargo volumes. Direct financial risks as a consequence of these obligations are covered by the concession, but since changes in prices and levels of service have a major influence on the public in Greenland, any changes must be approved by the Government of Greenland. This involves a time-consuming political process, which may also take other matters into consideration that are not related to the shipping company's isolated needs. Market risks are highlighted in monthly financial reports and risk models combined with a number of corporate governance tools, including the Board of Directors' duties and responsibilities, active ownership and the overall communication policy.

Non-concession business

As stated above, the development of cargo volume carried in accordance with the concession depends on the general economic development in Greenland. This means therefore that Royal Arctic Line is vulnerable to even small fluctuations in the volume of cargo carried in accordance with the concession. Consequently, Royal Arctic Line has started to develop non-concession business areas. So far this has primarily been aimed at developing business areas in Greenland and in services outside Greenland during the winter season. One of these areas concerns the delivery of supplies to research stations in the Antarctic.

Royal Arctic Line has an agreement with the centre for polar and marine research – Alfred-Wegener-Institut (AWI) – for a supply voyage in November-February, to supply the German research station Neumayer III. The agreement enhances the company's earnings because it ensures capacity is used that would otherwise be unused because of the winter in Greenland. With the introduction of the Vessel Sharing Agreement (VSA) in the middle of 2020, the new sailing system provides Royal Arctic Line with access to service markets outside Greenland on a weekly basis all year round. These are markets between Iceland, the Faroe Islands and Scandinavia, as well as within Scandinavia. This will make it possible help compensate for fluctuations in the Greenlandic market. In Greenland, Royal Arctic Line undertakes trawler unloading, container stuffing and other activities in connection with fishing exports. The company's activities in Denmark must compete with other providers of logistical services. Changes are being made in an effort to streamline and increase flexibility by deliberately moving away from general cargo-related (LCL) activities. Data exchange and digitalisation are important parameters in this process.

Prices and contributions

The Government of Greenland must consider and approve Royal Arctic Line's shipping prices on an annual basis. The Greenland government has decided that freight rates (excl. port handling costs) should be uniform for the whole country, and that freight rates for southbound cargo should be lower than northbound cargo, in order to support export trade. An investment contribution of 3.1% is added to the freight rates. The aim of the investment contribution among other things, is to finance new tonnage during the term of the 20-year contract for settlement services with the Government of Greenland. This contribution is a natural part of the shipping company's freight charge and freight turnover. The Bunker Adjustment Factor/Currency Adjustment Factor is charged separately to adjust for fluctuations in oil prices and exchange rates of the US dollars used to pay for oil for the ships.

The Concession – a right and an obligation

Royal Arctic Line has an exclusive right to ship cargo to, from and between the towns in Greenland and between Greenland and Reykjavik, Aalborg and a number of overseas destinations. This exclusive right entails a legal obligation to ensure the supply of goods to communities in Greenland.

The terms and conditions concerning frequency of calls, capacity and security of supply for all towns in both West Greenland and East Greenland are stipulated in the concession.

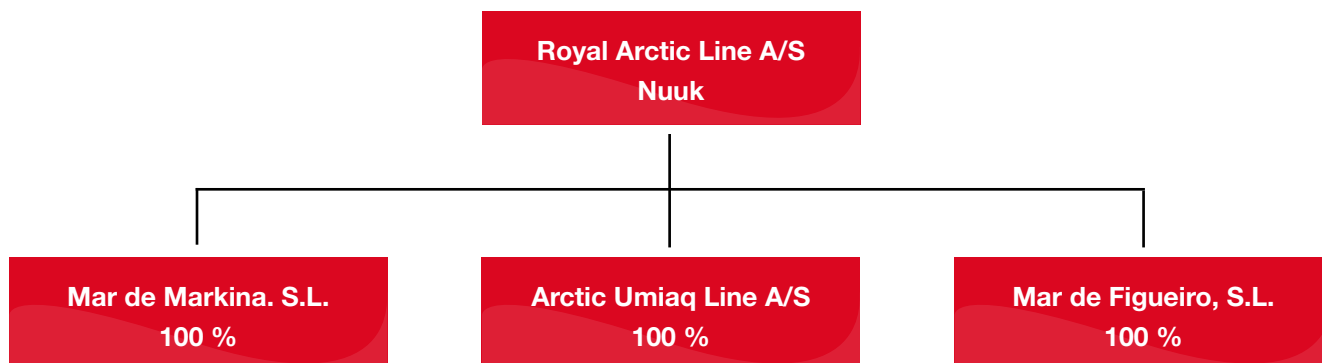
The concession applies to cargo such as:

- Food
- Consumer goods, including furniture, household appliances, motor vehicles and boats
- Materials for the building and construction sector
- Other goods, including transport equipment and tank containers

Service level

Royal Arctic Line's legal obligation to provide services in Greenland requires regular calls at ports and a high degree of punctuality and precision in relation to the master sailing schedule.

The Royal Arctic Line Group



Arctic Umiaq Line A/S

Arctic Umiaq Line A/S is wholly owned by Royal Arctic Line A/S.

The company was founded in the autumn of 2006 to acquire and operate the coastal ferry Sarfaq Ittuk. Sarfaq Ittuk operates ferry services on the West Coast between Narsaq and Ilulissat. The service focuses primarily on transporting local travellers, but services are also provided for the tourist industry.

Mar de Markina. S.L.

Mar de Markina. S.L. is wholly owned by Royal Arctic Line A/S.

The company was acquired by Royal Arctic Line in the autumn of 2021 for the purpose of managing a planned leasing agreement of the settlement ship Maleraq Arctica with the parent company until ownership of the ship is transferred to Royal Arctic Line.

Mar de Figueiro, S.L.

Mar de Figueiro S.L. is wholly owned by Royal Arctic Line A/S.

The company was acquired by Royal Arctic Line in the autumn of 2021 for the purpose of managing a planned leasing agreement of the settlement ship Siuana Arctica settlement ship until ownership of the ship is transferred to Royal Arctic Line.



Corporate Governance in Royal Arctic Line

In 2012 the Government of Greenland published its Guidelines on Corporate Governance for Public Limited Companies Owned by the Government of Greenland ("Retningslinjer for god selskabsledelse i de selvstyreejede aktieselskaber"). Accordingly, Royal Arctic Line has drawn up a detailed report that is available on the company's website www.ral.gl

The role of the shareholder and its interaction with company management

The Board of Directors and the executive management of Royal Arctic Line support an active ownership and there is therefore a close dialogue with the owner's representatives – the Government of Greenland and the Ministry of Housing and Infrastructure. Shareholder meetings are held, where the Chairman of the Board of Directors informs attendees of important developments or changes in the financial results, and of matters that may have a significant societal or socioeconomic effect. Freight rates and the master sailing schedule are approved each year by the owner's representatives, and major decisions are submitted to the owner's representatives for comments before implementation.

The role of stakeholders and their importance to the company and corporate social responsibility

Royal Arctic Line's strategy is devised by the Board of Directors and the executive management. The strategy sets goals for the company's employees.

The Board of Directors follows up on the goals through satisfaction surveys involving customers and employees, and through shareholder meetings with the owner. These are also addressed in the company's annual report on corporate social responsibility. The Board of Directors has approved Royal Arctic Line's policy for Corporate Social Responsibility.

Openness and transparency

Annual and interim financial statements, the Board of Directors' rules of procedure, the respective mandates of the nomination committee, remuneration committee and audit committee, the remuneration policy and the stakeholder policy are all available on the Royal Arctic Line website. Any other information that has been submitted to the Danish Business Authority will also be made available at www.ral.gl

Duties and responsibilities of the Board of Directors

The duties and responsibilities of the Board of Directors are specified in the Board of Directors' rules of procedure, and are in accordance with the Guidelines on Corporate Governance for Public Limited Companies Owned by the Government of Greenland.

- Inform the owner of any significant expected and realised developments
- Appoint a Deputy Chairman from the members of the Board of Directors at the inaugural meeting of the Board of Directors
- Approve the annual accounts and the annual financial statements
- Approve the budget for the following year as well as the forecast presented in connection with the half-yearly accounts
- Make sure that the auditors' report is presented and sign it
- Consider the organisation of the company at least once a year; in particular the organisation of the company's finance functions and their control procedures
- Perform management of financial and commercial risks
- Set overall strategic goals in collaboration with the executive management
- Review the company's insurance policies once a year; this includes the management's liability insurance
- Review the company's strategies and policies for CSR and communication
- Perform an evaluation of the Board of Directors and the management

The composition and organisation of the Board of Directors

Royal Arctic Line is wholly owned by the Government of Greenland, which appoints the Chairman and five members of the Board of Directors. The term of office is one year. The employees of Royal Arctic Line elect a further three employee members to the Board of Directors. Employees will be elected to the Board of Directors for a four-year period in April 2022.

In accordance with the Rules of Procedure for the Board of Directors of Royal Arctic Line, the Board convenes at least four times a year. The rules of procedure also ensure that the Board of Directors acts independently of any special interests.

The Board of Directors completes an annual evaluation relating to its overall skills, potential training requirements, cooperation between the Board of Directors members and cooperation with the executive management. The survey is carried out by the owner and the results are reviewed with the owner.

Management remuneration

The Board of Directors of Royal Arctic Line has approved a remuneration policy.

Remuneration of the executive management takes place in accordance with the remuneration policy. Remuneration including pension contributions are set out in the annual report and are considered to be consistent with market terms. The contracts of executive management do not include agreements on severance pay.

The remuneration of the Board of Directors complies with the remuneration policy defined by the Government of Greenland. The Chairman of the company's Board of Directors is paid DKK 365,000 a year, the Deputy Chairman and the Chairman of the audit committee are paid DKK 182,000 a year and the other members of the Board of Directors are paid DKK 130,000 a year.

Financial reporting

In accordance with the Rules of Procedure of the Board of Directors, the Board holds an annual meeting to discuss the accounts, where the annual report with the auditor's draft report are submitted to the Board for approval.

The Board of Directors is also presented with monthly reports, half-yearly accounts and forecasts, and it approves the budget. The budget and budgetary follow-up on major investments are also presented to the Board of Directors.

Risk management and internal control

The management evaluates the operational risks on an ongoing basis, and presents a monthly financial statement to the members of the Board of Directors. Strategic risks are covered in annual review, and market risks in the core business are minimised in accordance with the concession.

Auditors

The Board of Directors evaluates the independence and competence of the auditors for the Annual General Meeting's considerations when electing an auditor. The terms of the auditor's assignments and remuneration are addressed at least once a year at a Board meeting.

Remuneration and engagements are negotiated by the executive management but are submitted to the Board of Directors for approval or rejection.

Having completed a tendering process for Royal Arctic Line's audit assignments, the provider of audit services was appointed at the Royal Arctic Line's Annual General Meeting on 17 May 2021.

Management statement

The Board of Directors and the executive management have on this date considered and approved the annual report for the financial year 1 January – 31 December 2021 for Royal Arctic Line A/S. The annual report is presented in accordance with the Danish Financial Statements Act.

We consider the applied accounting practices appropriate for the annual report to provide a true and fair view of the Group's and Parent Company's assets, liabilities, financial position, profit and cash flows. We recommend that the annual report be adopted at the Annual General Meeting.

Nuuk, 3 March 2022

Executive Board



Verner Sonny
Daugård Hammeken
CEO



Aviåja Lyberth Lennert
Deputy CEO
CEO, Arctic Umiaq Line



Peter Christoffersen
CFO



Anders Bay Larsen
Senior Director, Fleet
Management



Bebiane Boye Hansen
CHRO, Human Resources



Ivalu Kleist
COO, Operations



Niels Clemensen
COO, Customer Service
& Sales

Board of Directors



Ulrik Blidorf
Chairman

Ulrik Blidorf



Erik Jørgen Østergaard
Deputy Chairman

Erik Jørgen Østergaard



Minannguaq Hilda
Zeeb

Minannguaq Hilda Zeeb



Julia K. Olsen

Julia K. Olsen



Heiðrún Jónsdóttir

Heiðrún Jónsdóttir



Erik Sivertsen

Erik Sivertsen



Jens Peter Rosing
Berthelsen

Jens Peter Rosing Berthelsen



Eydun Simonsen

Eydun Simonsen



Laust Lindskov
Vestergaard

Laust Lindskov Vestergaard

Independent Auditor's Report

To the shareholder of Royal Arctic Line A/S

Summary

In our opinion, the consolidated and annual accounts give a true and fair view of the Group and company's assets, liabilities, financial position as of 31 December 2021, the results of the Group and company's activities and the Group's cash flow for the financial year 1 January - 31 December 2021, in accordance with the Danish Financial Statements Act.

We have audited the consolidated financial statements and annual accounts for Royal Arctic Line A/S for the financial year 1 January – 31 December 2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including the accounting practices used for both the Group and the company (the "accounts").

Basis for conclusion

We have conducted our audit in accordance with international auditing standards and the additional requirements applicable in Greenland. Our responsibilities under these standards and requirements are described in more detail in the Auditor's report section, Auditor's responsibility for the audit of the financial statements. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Guidelines for Auditors' Ethical Conduct (IESBA Code) and the additional ethical requirements applicable in Greenland. We have also fulfilled other ethical obligations under these requirements and the IESBA Code. In our opinion, the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Management's Review

The management is responsible for the management's review.

Our opinion on the financial statements does not include the management's review, and we do not express any form of opinion with any certainty concerning the management's review.

In connection with our audit of the financial statements, it is our responsibility to read the management's review and in this context consider whether the management's review is significantly inconsistent with the financial statements or our knowledge obtained through the audit, or otherwise appears to contain material misstatements.

We are also responsible for considering whether the management's review contains the required information in accordance with the Danish Financial Statements Act.

Based on the work performed, it is our opinion that the management's review is in accordance with the consolidated financial statements and financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We have not found any material misstatements in the management's review.

The management's responsibility for the financial statements

The management is responsible for the preparation of the consolidated financial statements and financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for the internal control it deems necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Group's and the company's ability to continue as a going concern, for disclosing matters relating to continuing operations where relevant, and for preparing the financial statements on the basis of the going concern basis of accounting unless the management either intends to liquidate the Group or the company, cease operations or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our goal is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report with an opinion. A high degree of certainty is a high level of certainty, but is not a guarantee that an audit conducted in accordance with international auditing standards and the additional requirements applicable in Greenland will always reveal a material misstatement when it exists. Misstatements can arise from fraud or error and can be considered material if, individually or collectively, they can be reasonably expected to influence the economic decisions made by users on the basis of the financial statements.

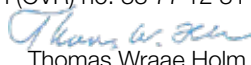
As part of an audit conducted in accordance with international auditing standards and the additional requirements applicable in Greenland, we carry out professional assessments and maintain professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement caused by fraud is higher than for material misstatement caused by error, as fraud may include conspiracy, forgery, deliberate omissions, misrepresentation or violation of internal control.
- We achieve an understanding of internal control relevant to the audit 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 Group's and the company's internal control.

Hellerup, 3 March 2022

PricewaterhouseCoopers

State-authorised Public Accountants
(Central Business Registration (CVR) no. 33 77 12 31


Thomas Wraae Holm

State-authorised public accountant
Mne30141

- We evaluate the appropriateness of accounting practices used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude whether the management's preparation of the financial statements on the basis of the accounting principle of continued operations is appropriate and whether, on the basis of the audit evidence obtained, there is significant uncertainty associated with events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that there is significant uncertainty, we must draw attention to such information in the financial statements in our auditor's report or, if such information is insufficient, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may result in the Group and the company no longer being able to continue operations.
- We evaluate the overall presentation, structure and content of the financial statements, including note information, and whether the financial statements reflect the underlying transactions and events in such a way that a true and fair presentation is given.
- We obtain sufficient and appropriate audit evidence of the financial information for the companies or business activities in the Group to express an opinion on the consolidated financial statements. We are responsible for managing, supervising and executing the Group Audit. We are solely responsible for our audit opinion.

We communicate with senior management about, among other things, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during the audit.

Nuuk, 3 March 2022

Grønlands Revision A/S

State-authorised Public Accountants
(Central Business Registration (CVR) no. 41 76 26 67


Per Jansen

State-authorised public accountant
Mne21323

Income Statement 2021

DKK 1,000		Royal Arctic Line A/S		Royal Arctic Group	
		2021	2020	2021	2020
1	Net revenue	1.006.787	933.182	1.054.163	978.766
2,3	Other operating income	38.733	28.404	21.958	13.537
4	Cargo-related expenditure	(31.551)	(36.987)	(34.193)	(39.643)
	Gross profit	1.013.969	924.599	1.041.928	952.660
5	Other external expenditure	(466.264)	(428.770)	(485.591)	(448.458)
6	Staff expenditure	(425.568)	(403.837)	(426.871)	(405.630)
7	Amortisation, depreciation and impairment losses of fixed assets	(99.198)	(83.294)	(101.407)	(85.026)
	Operating profit	22.939	8.698	28.059	13.546
8	Income from investments in Group companies	3.638	3.498	0	0
9	Income from investments in associated companies	112	165	112	165
10	Other financial income	238	1.677	238	1.677
11	Other financial expenditure	(24.238)	(12.897)	(24.395)	(12.986)
	Profit before tax	2.689	1.141	4.014	2.402
12	Tax on profit for the year	(712)	440	(2.037)	(821)
13	Profit/loss for the year	1.977	1.581	1.977	1.581

Assets as of 31 December

DKK 1,000		Royal Arctic Line A/S		Royal Arctic Group	
		2021	2020	2021	2020
Fixed assets					
	Software	3.573	9.059	3.573	9.059
	Development projects	6.628	0	6.628	0
14	Total intangible assets	10.201	9.059	10.201	9.059
	Ships	941.468	712.239	944.385	716.452
	Buildings	45.059	53.723	45.059	53.723
	Transport equipment, harbour boats, machinery, and fixtures and fittings	97.825	99.579	97.825	99.579
	Assets under construction	169.743	400.832	169.743	400.832
15	Total tangible fixed assets	1.254.095	1.266.373	1.257.012	1.270.586
Current assets					
	Investments in Group companies	21.960	18.322	0	0
	Investments in associated companies	4.654	4.542	4.654	4.542
	Other securities	1.022	1.030	1.022	1.030
16	Total financial fixed assets	27.636	23.894	5.676	5.572
	Total fixed assets	1.291.932	1.299.326	1.272.889	1.285.217
	Operating stock	8.168	7.230	9.188	7.971
	Total inventories	8.168	7.230	9.188	7.971
17	Trade receivables	110.237	75.421	110.666	76.077
	Receivables from Group companies	5.040	1.972	0	0
	Other receivables	4.594	3.486	4.610	3.486
18	Prepayments and accrued income	5.108	15.864	5.930	16.673
	Total receivables	124.979	96.743	121.206	96.236
19	Cash and cash equivalents	145.851	235.778	176.239	257.682
	Total current assets	278.998	339.751	306.633	361.889
	Total assets	1.570.930	1.639.077	1.579.522	1.647.106

Liabilities as of 31 December

DKK 1,000		Royal Arctic Line A/S		Royal Arctic Group	
		2021	2020	2021	2020
Equity					
20	Share capital	120.000	120.000	120.000	120.000
	Reserve for net revaluation of investments:				
	– Group companies	16.960	13.322	0	0
	– Associated companies	1.157	1.045	1.157	1.045
	Other statutory reserves:				
	Reserve for development costs	4.872	0	0	0
	Retained earnings	540.025	544.847	561.857	558.169
	Proposed dividend	2.550	2.500	2.550	2.500
	Total equity	685.564	681.714	685.564	681.714
12	Deferred tax	38.166	35.852	38.745	36.965
	Other provisions	1.059	4.074	1.059	4.074
	Total provisions	39.225	39.926	39.804	41.039
Liability commitments					
	Mortgage debt in ships	613.474	587.717	613.474	587.717
	Mortgage debt	567	1.134	567	1.134
	Leasing debt	1.052	74.112	1.052	74.112
21	Total non-current liabilities	615.093	662.963	615.093	662.963
21	Next year's instalments on non-current liabilities	61.503	50.701	61.503	50.701
	Trade accounts payable	39.885	51.883	40.473	53.366
12	Corporation tax	0	0	1.859	320
22	Other payables	109.173	138.676	114.739	143.789
	Prepayments and accrued income	20.487	13.214	20.487	13.214
	Total current liabilities	231.048	254.474	239.061	261.390
	Total liabilities	846.141	917.437	854.154	924.353
	Total liabilities	1.570.930	1.639.077	1.579.522	1.647.106
27	Pledges				
28	Leasing and rental commitments				

Equity Statement

DKK 1,000	Share capital	Reserve for net revaluation of investments	Reserve for development costs	Proposed dividend	Retained earnings	Total equity
Royal Arctic Line A/S						
Equity, 1 January 2021	120.000	14.367	0	2.500	544.847	681.714
Profit/loss for the year		3.750	4.872	2.550	(9.195)	1.977
Regulation of derivative instruments					3.035	3.035
Dividend paid				(2.500)		(2.500)
Tax value of dividend					1.338	1.338
Equity, 31 December 2021	120.000	18.117	4.872	2.550	540.025	685.564
Equity, 1 January 2020	120.000	10.704	0	54.300	502.534	687.538
Correction of proposed dividend concerning 2019				(51.500)	51.500	0
Profit/loss for the year		3.663		2.500	(4.582)	1.581
Regulation of derivative instruments					(4.605)	(4.605)
Dividend paid				(2.800)		(2.800)
Equity, 31 December 2020	120.000	14.367	0	2.500	544.847	681.714
Royal Arctic Group						
Equity, 1 January 2021	120.000	1.045	0	2.500	558.169	681.714
Other equity items		112			(112)	0
Profit/loss for the year				2.550	(573)	1.977
Regulation of derivative instruments					3.035	3.035
Dividend paid				(2.500)		(2.500)
Tax value of dividend					1.338	1.338
Equity, 31 December 2021	120.000	1.157	0	2.550	561.857	685.564
Equity, 1 January 2020	120.000	880	0	54.300	512.358	687.538
Correction of proposed dividend concerning 2019				(51.500)	51.500	0
Other equity items		165			(165)	0
Profit/loss for the year				2.500	(919)	1.581
Regulation of derivative instruments					(4.605)	(4.605)
Dividend paid				(2.800)		(2.800)
Equity, 31 December 2020	120.000	1.045	0	2.500	558.169	681.714

Cash Flow Statement

DKK 1,000

		Royal Arctic Line A/S		Royal Arctic Group	
		2021	2020	2021	2020
Cash flow from operating activities					
	Operating profit	22.939	8.698	28.059	13.546
	Amortisation, depreciation and impairment losses	99.198	83.294	101.407	85.026
	Gain/loss on sale of fixed assets	(7.803)	(8.064)	(7.803)	(8.064)
23	Change in working capital	(55.322)	43.704	(52.777)	43.113
Cash flow from primary operating activities		59.012	127.632	68.886	133.621
	Net interest payments	(20.997)	(12.848)	(21.151)	(12.936)
12	Tax paid	0	(10.680)	(320)	(12.593)
Cash flow from operating activities		38.015	104.104	47.415	108.092
Cash flow from investing activities					
14,15,24	Investments	(432.087)	(408.575)	(433.003)	(413.290)
	Sale of fixed assets	328.352	8.195	328.352	8.195
	Acquisition and sale of financial fixed assets	8	11	8	11
Cash flow from investing activities		(103.727)	(400.369)	(104.643)	(405.084)
Cash flow from financing activities					
25	Loans raised for the year	109.909	368.246	109.909	368.246
26	Instalments for the year	(131.624)	(28.607)	(131.624)	(28.607)
13	Dividend paid	(2.500)	(2.800)	(2.500)	(2.800)
Cash flow from financing activities		(24.215)	336.839	(24.215)	336.839
	Changes in cash and cash equivalents	(89.927)	40.574	(81.443)	39.847
	Cash and cash equivalents at the start of the year	235.778	195.204	257.682	217.835
Cash and cash equivalents at year-end		145.851	235.778	176.239	257.682
Distributed as follows:					
19	Cash and cash equivalents	145.851	235.778	176.239	257.682
Total		145.851	235.778	176.239	257.682

Notes

Unless otherwise stated, the amount is stated in DKK 1,000.

Royal Arctic Line A/S
2021 2020
Royal Arctic Group
2021 2020

1 Net revenue

The company's revenue is derived from transport services between Greenland, Canada, Iceland and Denmark, between towns in Greenland, pre- and end-haulage, stevedore and other related services. Revenue is divided into income from concession sea transport and other, non-concession income.

Other operating income comprises the Government of Greenland's payment for the service contract concluded with Royal Arctic Line A/S for administration of the port authority;

Income from ferry services is posted under non-concession cargo income 47.443 45.704

Net revenue can be specified as follows:

Concession cargo income	824.812	782.454	824.773	782.403
Non-concession income	181.975	150.728	229.390	196.363
Total net revenue	1.006.787	933.182	1.054.163	978.766

2 Special items

For the year, DKK 9.2 million was received as tenant reimbursement due to delayed delivery of the port expansion in Nuuk in 2017.

3 Other operating income

Included in other operating income is the Greenland Government's payment for the service agreement concluded with Royal Arctic Line A/S for administration of the port authority. In addition, the hiring of staff for Arctic Umiaq Line, rental income from staff accommodation and gains from the sale of fixed assets included

4 Cargo-related expenditure

This relates to costs directly incurred in order to generate income, primarily related to costs for pre- and end-haulage services.

5 Other external expenditure

Ships	236.527	204.374	249.409	217.770
Terminals	151.619	138.286	151.619	138.286
Container operations	33.279	35.752	33.279	35.752
Sales and administration	44.839	50.358	51.284	56.650
Total other external expenditure	466.264	428.770	485.591	448.458

6 Staff costs

Staff costs can be specified as follows:

Wages and salaries	368.401	352.839	369.395	354.266
Pension contributions	35.142	33.932	35.184	34.063
Social costs	13.373	9.330	13.584	9.556
Other staff costs	8.652	7.736	8.708	7.745
Total staff costs	425.568	403.837	426.871	405.630

Executive Board

Remuneration	6.540	6.252		
Bonus	937	963		
Board of Directors	1.509	1.406		
Total remuneration	8.986	8.621		

Two members of the Executive Board live in their own accommodation and one member lives in staff accommodation. The CEO is bound by a competition clause for 12 months after termination of employment without remuneration. The Executive Board has a company car at its disposal. The Executive Board has 12 months' notice of termination from the company. The notice required from the CEO is three months, and that for the CFO and the Vice President is six months. The appointment of the CFO is time-limited until September 2022.

Average number of full-time employees	847	792	849	794
Number of employees at year-end	842	805	844	807
In addition, average number of trainees	60	57	60	57
Number of trainees at year-end	57	53	57	53

At the year's end, Royal Arctic Line A/S hired the following employees who were loaned out to Arctic Umiaq Line A/S

41	43		
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Notes

DKK 1,000

Royal Arctic Line A/S

Royal Arctic Group

2021

2020

2021

2020

7	Amortisation, depreciation and impairment losses of tangible and intangible fixed assets				
	Ships	66.102	52.901	68.311	54.633
	Buildings	6.298	6.240	6.298	6.240
	Transport equipment, harbour boats, machinery, and fixtures and fittings	19.336	16.066	19.336	16.066
	Software	7.462	8.087	7.462	8.087
	Total amortisation, depreciation and impairment losses	99.198	83.294	101.407	85.026
8	Income from investments in Group companies				
	Arctic Umiaq Line A/S	3.675	3.498		
	Mar de Markina	(18)	0		
	Mar de Figueiro	(19)	0		
	Total income from investments in Group companies	3.638	3.498		
9	Income from investments in associated companies				
	Ejendomsselskabet Suliffik A/S	112	165	112	165
	Total income from investments in associated companies	112	165	112	165
10	Financial income				
	Unrealised currency exchange rate gains concerning long-term liabilities	0	1.628	0	1.628
	Other financial income	238	49	238	49
	Total financial income	238	1.677	238	1.677
11	Other financial expenditure				
	Unrealised currency exchange rate losses concerning long-term liabilities	189	0	189	0
	Other financial expenditure	24.049	12.897	24.206	12.986
	Total financial expenditure	24.238	12.897	24.395	12.986
	In addition, financial costs for building new ships is factored into the balance sheet	22.714	3.209	22.714	3.209
12	Tax on profit for the financial year				
	Tax on profit for the financial year consists of:				
	Royal Arctic Line A/S				
	Current tax, Greenland	(1.338)	0	(1.338)	0
	Deferred tax, Greenland	626	440	1.160	(501)
	Group companies				
	Current tax, Greenland	0	0	(1.859)	(320)
	Tax on profit for the financial year	(712)	440	(2.037)	(821)
	Income tax	0	(10.680)	(320)	(12.593)
	Total tax paid	0	(10.680)	(320)	(12.593)

Notes

DKK 1.000

Royal Arctic Line A/S

Royal Arctic Group

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The provision for deferred tax is primarily due to additional depreciation for tax purposes and appears as follows:

Provisions at beginning of year	35.852	39.799	36.965	39.971
Adjustment re: equity	2.940	(3.507)	2.940	(3.507)
Change during the year	(626)	(440)	(1.160)	501
Provisions at year-end	38.166	35.852	38.745	36.965

Deferred tax is based on the following items:

Tangible fixed assets	37.645	19.228	38.224	20.341
Financial fixed assets	4.804	3.811	310	281
Current assets	1.474	22.864	1.474	22.864
Long-term liabilities	(544)	0	(544)	0
Current liabilities	(4.932)	(8.971)	(4.932)	(8.971)
Other	(281)	(1.080)	4.213	2.450
Total	38.166	35.852	38.745	36.965

13 Proposed distribution of profit

Proposed distribution of profit				
Proposed dividend for the financial year	2.550	2.500		
Transferred to reserve for net revaluation of investments	3.750	3.663		
Reserve for development costs	4.872	0		
Carried forward to next year	(9.195)	(4.582)		
Total	1.977	1.581		

14 Intangible fixed assets

Software

Cost price

Cost price at beginning of year	51.110	50.703	51.110	50.703
Additions during the year	1.311	407	1.311	407
Disposals during the year	(2.884)	0	(2.884)	0
Transfers	665	0	665	0
Cost price at year-end	50.202	51.110	50.202	51.110

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses at beginning of year	42.051	33.964	42.051	33.964
Depreciation for the year	7.462	8.087	7.462	8.087
Amortisation, depreciation and impairment losses of disposals for the year	(2.884)	0	(2.884)	0
Amortisation, depreciation and impairment losses at year-end	46.629	42.051	46.629	42.051

Book value at year-end	3.573	9.059	3.573	9.059
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Development projects

Cost price

Cost price at beginning of year	0	0	0	0
Additions during the year	6.464	0	6.464	0
Transfers	164	0	164	0
Cost price at year-end	6.628	0	6.628	0

Total intangible fixed assets	10.201	9.059	10.201	9.059
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Notes

DKK 1,000

Royal Arctic Line A/S

Royal Arctic Group

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15 Tangible fixed assets

Ships

Cost price

Cost price at beginning of year	1.151.626	1.175.879	1.166.732	1.186.270
Addition of leased ships	292.397	76.669	292.397	76.669
Additions during the year	9.650	246.498	10.566	251.213
Adjustment re: previous years	(5.659)	0	(5.659)	0
Disposals during the year	(29.188)	(347.420)	(29.188)	(347.420)
Cost price at year-end	1.418.826	1.151.626	1.434.848	1.166.732

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses at beginning of year	439.387	733.906	450.280	743.067
Depreciation for the year	66.102	52.901	68.311	54.633
Amortisation, depreciation and impairment losses of disposals for the year	(28.131)	(347.420)	(28.131)	(347.420)
Amortisation, depreciation and impairment losses at year-end	477.358	439.387	490.460	450.280

Book value at year-end

941.468	712.239	944.385	716.452
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Buildings

Cost price

Cost price at beginning of year	171.893	171.330	171.893	171.330
Additions during the year	185	563	185	563
Disposals during the year	(5.982)	0	(5.982)	0
Cost price at year-end	166.096	171.893	166.096	171.893

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses at beginning of year	118.170	111.930	118.170	111.930
Depreciation for the year	6.298	6.240	6.298	6.240
Amortisation, depreciation and impairment losses of disposals for the year	(3.431)	0	(3.431)	0
Amortisation, depreciation and impairment losses at year-end	121.037	118.170	121.037	118.170

Book value at year-end

45.059	53.723	45.059	53.723
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Transport equipment, harbour boats, machinery, and fixtures and fittings

Cost price

Cost price at beginning of year	400.535	380.569	400.535	380.569
Additions during the year	14.916	29.920	14.916	29.920
Disposals during the year	(20.982)	(20.133)	(20.982)	(20.133)
Transfers	2.848	10.179	2.848	10.179
Cost price at year-end	397.317	400.535	397.317	400.535

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses at beginning of year	300.956	304.892	300.956	304.892
Depreciation for the year	19.336	16.066	19.336	16.066
Amortisation, depreciation and impairment losses on disposals for the year	(20.800)	(20.002)	(20.800)	(20.002)
Amortisation, depreciation and impairment losses at year-end	299.492	300.956	299.492	300.956

Book value at year-end

97.825	99.579	97.825	99.579
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Of which financial leased assets

2.479	0	2.479	0
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Notes

DKK 1,000

Royal Arctic Line A/S

Royal Arctic Group

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Assets under construction – ships

Cost price

Cost price at beginning of year	396.720	345.738	396.720	345.738
Additions during the year	108.276	374.689	108.276	374.689
Disposals during the year	(340.235)	(323.707)	(340.235)	(323.707)
Book value at year-end	164.761	396.720	164.761	396.720

Including financial costs of	6.304	4.712	6.304	4.712
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Assets under construction – buildings

Cost price

Cost price at beginning of year	0	0	0	0
Additions during the year	1.112	563	1.112	563
Disposals during the year	0	(563)	0	(563)
Book value at year-end	1.112	0	1.112	0

Assets under construction – transport equipment, harbour boats, machinery, and fixtures and fittings

Cost price

Cost price at beginning of year	4.112	576	4.112	576
Additions during the year	3.435	33.863	3.435	33.863
Disposals during the year	0	(30.327)	0	(30.327)
Transfer to other items	(3.677)	0	(3.677)	0
Book value at year-end	3.870	4.112	3.870	4.112

Total assets under construction	169.743	400.832	169.743	400.832
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Total tangible fixed assets	1.254.095	1.266.373	1.257.012	1.270.586
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Charged assets, see Note 27

16 Financial fixed assets

Investments in Group companies

Cost price

Cost price at beginning of year	5.000	5.000
Additions during the year	0	0
Disposals during the year	0	0
Cost price at year-end	5.000	5.000

Revaluations and impairment losses

Revaluations and impairment losses at beginning of year	13.322	9.824
Disposals during the year	0	0
Share in profit for the year	3.638	3.498
Dividend paid	0	0
Revaluations and impairment losses at year-end	16.960	13.322

Book value at year-end	21.960	18.322
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Notes

DKK 1,000		Royal Arctic Line A/S		Royal Arctic Group	
		2021	2020	2021	2020
Name	Headquarters	Company Capital stock (1,000)	Vote and ownership percentage	Equity total (2020)	Profit/loss for the year (2020)
Arctic Umiaq Line A/S	Nuuk, Greenland	2.000	100 %	18.321	3.498
Mar de Markina, S.L.	Santa Cruz de Tenerife, Spanien	EUR 101	100 %	0	0
Mar de Figueiro, S.L.	Santa Cruz de Tenerife, Spanien	EUR 101	100 %	0	0

Investments in associated companies

Cost price

Cost price at beginning of year	3.497	3.497	3.497	3.497
Additions during the year	0	0	0	0
Disposals during the year	0	0	0	0
Cost price at year-end	3.497	3.497	3.497	3.497

Revaluations and impairment losses

Revaluations and impairment losses at beginning of year	1.045	880	1.045	880
Share in profit for the year	112	165	112	165
Dividend paid	0	0	0	0
Revaluations and impairment losses at year-end	1.157	1.045	1.157	1.045

Book value at year-end	4.654	4.542	4.654	4.542
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Ejendomsselskabet Suliffik A/S	4.654	4.542	4.654	4.542
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Name	Headquarters	Company Capital stock	Vote and ownership percentage	Equity total (2020)	Profit/loss for the year (2020)
Ejendomsselskabet Suliffik A/S	Nuuk, Greenland	11.000	30 %	15.512	373

Securities

Cost price

Cost price at beginning of year	1.030	1.041	1.030	1.041
Additions during the year	0	0	0	0
Disposals during the year	(8)	(11)	(8)	(11)
Cost price at year-end	1.022	1.030	1.022	1.030

Book value at year-end	1.022	1.030	1.022	1.030
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Total financial fixed assets	27.636	23.894	5.676	5.572
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17 Trade receivables

In addition to freight income, trade receivables include duties collected on behalf of the Autonomous Government of Greenland. These duties are collected together with freight charges.

18 Prepayments and accrued income

Prepayments comprise prepaid costs related to rent, insurance premiums, IT licences, subscriptions and interest.

Notes

DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2021	2020	2021	2020
19 Cash/bank debt				
Amount in USD	171	449	171	449
Amount in EUR	1.224	6.754	1.224	6.754
Calculated at the closing rate, this will give DKK	10.228	52.969	10.228	52.969
20 Share capital				
The share capital is not divided into share classes. The share capital consists of one share at DKK 80 million and one share at DKK 40 million. The share capital has not changed in the last five years.				
21 Long-term liabilities				
Non-current liabilities are payable as follows:				
Current portion of collateral debt in ships	60.503	46.602	60.503	46.602
Current portion of mortgage debt	0	0	0	0
Current portion of leasing debt	1.000	4.099	1.000	4.099
Total current portion	61.503	50.701	61.503	50.701
Total non-current portion	615.093	662.963	615.093	662.963
Total book value	676.596	713.664	676.596	713.664
Payable after more than five years (amortised cost price)				
Mortgage debt in ships	436.419	436.749	436.419	436.749
Leasing debt	0	59.441	0	59.441
Mortgage debt	567	1.134	567	1.134
Total amortised cost	436.986	497.324	436.986	497.324
22 Other payables				
Payables relating to wages and rent	83.515	94.983	86.904	98.733
Financial instruments	10.459	21.554	10.459	21.554
Payable costs	15.199	22.139	17.376	23.502
Total other payables	109.173	138.676	114.739	143.789
23 Change in working capital				
Increase/decrease in receivables	(28.236)	5.725	(24.970)	4.835
Increase/decrease in operating stocks	(938)	2.858	(1.217)	2.846
Increase/decrease in warranty commitments	(3.015)	743	(3.015)	743
Increase/decrease in trade payables	(11.998)	5.886	(12.893)	7.233
Value adjustments relating to financial instruments	11.095	(8.113)	11.095	(8.113)
Increase/decrease in other payables, etc.	(22.230)	36.605	(21.777)	35.569
Total change in working capital	(55.322)	43.704	(52.777)	43.113
24 Investments				
Investments in intangible assets	7.775	407	7.775	407
Investments in ships	296.388	323.167	297.304	327.882
Investments in buildings	185	563	185	563
Investments in other fixed assets	14.916	29.920	14.916	29.920
Change in assets under construction	112.823	54.518	112.823	54.518
Total investments	432.087	408.575	433.003	413.290

Notes

DKK 1,000

Royal Arctic Line A/S

Royal Arctic Group

2021

2020

2021

2020

25 Loans raised during the year

Loans raised, collateral in ships	107.067	287.834	107.067	287.834
Loans raised, leasing	2.842	80.412	2.842	80.412
Total borrowing for the year	109.909	368.246	109.909	368.246

26 Instalments for the year

Instalments for the year, collateral debt in ships	51.856	26.411	51.856	26.411
Instalments for the year, mortgage debt	567	0	567	0
Instalments for the year, leasing	79.201	2.196	79.201	2.196
Total instalments for the year	131.624	28.607	131.624	28.607

27 Charged assets and collateral

Nominal value, collateral debt in ships:	1.512.752	1.120.481	1.512.752	1.120.481
Carrying amount, collateral debt in ships:	906.802	733.694	906.802	733.694

Mortgage debt is secured by properties

Nominal value of the mortgages:	30.567	31.134	30.567	31.134
Carrying amount of the mortgaged properties:	22.990	27.895	22.990	27.895

28 Leasing, rental and contingent liabilities

In addition to liabilities recognised in the balance sheet, the company has the following significant liabilities:

Rental of containers expiring in 2024 and a total payment of USD 6.19 million, corresponding to TDKK: Of which USD 2.36 million falls due in 2022, equivalent to TDKK 15,340	26.057	40.444	26.057	40.444
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Obligations under rental agreements until expiry in 2022:	29.946	25.812	29.946	25.812
Obligations under rental agreements until expiry in 2023:	0	13.740	0	13.740
Obligations under rental agreements until expiry in 2024:	0	0	0	0

In addition, a lease agreement has been concluded with Sikuki concerning the container terminal in Nuuk, which runs until 31 December 2042. The annual rent amounts to DKK 42.79 million for 2022 with an agreed increase of 2% per year. In the event of termination of the concession, it may be agreed to terminate the contract with 12 months' notice.

Leasing obligations:	36.406	308	472	308
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Royal Arctic Line A/S has provided a rent payment guarantee of:	6.200	6.200	6.200	6.200
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In connection with Royal Arctic Line's contracting of four new buildings at the shipyards in Spain, upon delivery of the ships, a financing structure has been agreed whereby Royal Arctic Line has undertaken a contingent liability, which in the worst case amounts to up to TEUR 5,340 per ship from Zamakona and TEUR 2,841 per ship from Nodosa.

29 Fees to auditors appointed by the Annual General Meeting

Fees to the auditors appointed at the AGM are recognised in the annual report as follows:

Statutory audit	1.150	985	1.227	1.054
Other services	705	388	705	412
Total	1.855	1.373	1.932	1.466

Notes

30 Related parties

Related parties are members of the company's Board of Directors, Executive Board, the company's sole shareholder, the Government of Greenland and the group's affiliated companies Arctic Umiaq Line A/S, Mar de Markina and Mar de Figueiro, as well as the associated company Suliffik A/S.

Significant transactions with the owner, the Government of Greenland, are based on the concession agreement between the Company and the Government of Greenland. The Government of Greenland has granted Royal Arctic Line A/S an exclusive concession for all sea transport of goods to and from Greenland and between the towns and settlements of Greenland. This exclusive concession carries a series of obligations regarding the frequency, capacity and security of supply for all towns on the West Coast and the East Coast.

Royal Arctic line A/S performs the following services under an agreement with the Government of Greenland:

- Operation of the Government's port facilities and the functioning of the local port authority (service agreement fee of TDKK 3,250)
- Cargo transport for Qaanaaq (service agreement fee of TDKK 895)

Transactions carried out with the Executive Board and the Board of Directors consist of remuneration; cf., note 6.

There have been no other significant transactions apart from intra-Group transactions, which are eliminated when the annual accounts are prepared.

All transactions with related parties have been conducted on competitive market terms.

31 Events after the end of the financial year

From the balance sheet date until today, no events have occurred to change the assessment of this annual report.

As stated earlier in the report, the company started and concluded negotiations with a view to ceasing operations out of Aalborg in 2022. The necessary provisions associated with this action are associated with the 2022 financial year.

Notes

32 Executive functions

The executive functions of the Board of Directors and the Executive Board:

Ulrik Blidorf

Law firm InuitLaw, owner
Member of the Board of Tusass A/S
Chairman of the Health Commission

Erik Jørgen Østergaard

CEO, DTL Danske Vognmænd
Chairman of the Board of David MacBrayne Ltd.
Chairman of the Board of Associated Danish Ports (ADP) A/S
Chairman of the Board of M/S Maritime Museum of Denmark
Chairman of the Board of the Nordic Logistics Association
Board Member of Red Funnel Ltd.
Board Member of IRU

Erik Sivertsen

CEO, Halibut Greenland ApS
CEO, Uummannaq Seafood A/S
Chairman of the Board of North Atlantic Seafood A/S
Member of the Board of Great Greenland A/S

Minannguaq Zeeb

Customer Manager, INI A/S

Julia Knudsen Olsen

Consultancy Anua, Chief Consultant & Owner
Chairman, Global Dignity Kalaallit Nunaat

Heiðrún Jónsdóttir

Attorney, owner of Logmuli
Vice Chairman of the Board of Islandsbanki hf. Head of the Remuneration Committee
Board Member of Reginn hf., (estate agency, registered in Nasdaq), member of the Audit Committee
Vice Chairman of the Board of Stjarnan

Ivalu Kleist

COO ,Royal Arctic Line
Member of the Board of Directors Sikuki

Niels Clemensen

Member of the Board of Arctic Umiaq Line

Anders Bay Larsen

Member of the Board, Arctic Umiaq Line
Branch Manager, Mar de Markina Greenland
Branch Manager, Mar de Figueiro Greenland
Member of the Board of Directors, the Negotiation Committee DRO I at Danish Shipping

Verner Hammeken

Chairman of the board of Arctic Umiaq Line

Aviâja Lyberth Lennert

CEO, Arctic Umiaq Line
Member of the Board of Ejendomsselskabet Suliffik A/S



Accounting Practices

Basis of accounting

The annual report for Royal Arctic Line A/S is presented in accordance with the Danish Financial Statements Act governing reporting class D enterprises.

The accounting practices used are unchanged in relation to last year.

In 2021, the following reclassifications were made, which have not affected the profit or loss for the financial year or equity at the end of the year:

- Reclassification of revenue from the service contracts for the carriage of goods and the navigation of settlements, from “Other operating income” to “Turnover”.
- Reclassification of spare parts inventory from inventories to tangible fixed assets, as the spare parts inventory consists of essential components for the tangible fixed assets.

Unless otherwise stated, the figures in the annual report are expressed in DKK thousand.

Recognition and measurement

Assets are included in the balance sheet when it is probable that future economic benefits will flow to the Group, and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event and it is probable that future economic benefits will flow out of the Group and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

In the case of recognition and measurement, anticipated risks and losses that arise prior to the annual report are taken into consideration, and which confirm or contest matters that existed at the balance sheet date.

Income is recognised in the income statement when earned, whereas expenses are recognised by the amounts attributable to this financial year. Value adjustments of financial assets and liabilities are recognised in the income statement as financial income or financial expenses.

Consolidated financial statements

The consolidated financial statements cover Royal Arctic Line A/S (Parent Company) as well as domestic and foreign companies (Group companies) with commercial activities in progress, which are controlled by the Parent Company. Refer to the Group Structure overview on page 14. Control is achieved by the Parent Company holding, directly or indirectly, more than 50% of the voting rights.

Companies in which the Group directly or indirectly holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence are regarded as associated companies.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of Royal Arctic Line A/S and its Group companies.

The consolidated financial statements are prepared combining uniform financial statement items. On consolidation, intra-Group income and expenses, intra-Group accounts and dividends, profits and losses on transactions between the consolidated enterprises as well as unrealised intra-Group profits are eliminated. The financial statements used for consolidation have been prepared in accordance with the Group's accounting practices.

The Group companies' financial statement items are recognised in full in the consolidated financial statements.

Investments in Group companies are offset at the proportionate share of such Group companies' net assets at the acquisition date, with net assets having been calculated at fair value.

Profit or loss from divestment of investments

Profit or loss from divestment or winding-up of Group companies is calculated as the difference between the selling price or the settlement price and the carrying amount of the net assets at the time of divestment or winding-up, including unamortised goodwill and estimated divestment or winding-up expenses. Profits and losses are recognised in the income statement under other operating income and other operating costs, respectively.

Translation of foreign currency

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date or the rate at which the amounts have been hedged. Exchange rate differences that arise between the rate at the transaction date and the rate in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial items. Fixed assets acquired with foreign currencies are translated using historical rates.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost, subsequently at fair value. Derivative financial instruments are recognised in other receivables or other payables.

Changes in the fair value of derivative financial instruments that qualify as hedging instruments to ensure the fair value of a recognised asset or a recognised liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

For derivative financial instruments that do not qualify as hedging instruments, changes in fair market value are recognised currently in the income statement as financial items. In the case of cash flow hedging, the change in the value of equity is recognised.

Income statement

Net revenue

Basic freight income is recognised, provided its expected arrival at the destination port (ETA) is by the end of the financial year at the latest. Other income includes services invoiced during the year. Expenses are recognised in the income statement in the period in which they are incurred. The Bunker Adjustment Factor/Currency Adjustment Factor is recognised with the portion that is attributable to the period. The company collects an investment contribution of 3.1% of the basic freight rates. The purpose of this investment contribution is to cover increased costs of supplying settlements as a consequence of building new settlement ships. This investment contribution is included in the normal freight rates.

In the case of ships that are part of vessel sharing, each shipping company bears the costs of its own ships, and there is no turnover or profit sharing between the shipping companies.

Other operating income

This item consists primarily of income from service contracts with the Government of Greenland.

Costs

Freight-related costs are recognised as expensed at the time of recognition of freight income.

Freight-related

This item consists primarily of primary and secondary transport, as well as packing and unpacking costs in connection with removal services.

Ships

The item consists primarily of the costs of the ships' fuel consumption and the costs of maintenance of the ships.

Terminals

The item consists mainly of property costs and costs in connection with ships calling into port.

Container operations

The item consists mainly of container rent and the maintenance and insurance of containers.

Sales and administration

This item consists of sales, marketing and administrative costs. It also includes impairment losses on receivables recognised in current assets.

Staff

Staff costs include salaries and wages as well as social security contributions, pension contributions and other staff related costs for the company's employees.

Income from investments in Group companies and associated companies

The proportionate share of the individual Group companies' profits or losses after tax after elimination of unrealised intra-Group profits and losses and plus or minus amortisation of positive, or negative, goodwill on consolidation is recognised in the Parent Company's income statement. The proportionate share of associated companies' profit or loss after tax is recognised in the consolidated income statement.

Financial items

Financial items comprise income interest and expenses, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies, as well as mortgage amortisation premiums relating to collateral debt and mortgage debt.

Financial items subject to a period of payment other than the financial year are accrued accordingly.

Tax

Tax for the year comprising current tax and changes in deferred tax is recognised in the income statement together with any adjustments concerning previous years.

Current tax liabilities are recognised in the balance sheet stated as tax calculated on the taxable income for the year. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

The tax effect of dividend is recognised as a transaction with the owner directly via equity.

The rate of taxation is 26.5%.

Balance sheet

Intangible fixed assets

Intangible assets comprise completed and acquired intellectual property rights in the form of software rights, etc. and ongoing software development projects.

Development projects relating to systems, process, etc. that are clearly defined and recognisable, where the technical degree of utilisation, adequacy of resources and future financial benefits can be proven and where it is the intention to complete the project and utilise the intangible asset, are recognised as intangible assets, which are depreciated over the expected useful life.

The cost of development projects includes costs that are directly attributable to the development projects. Depreciation of the completed development projects starts when the asset is taken into use.

Intangible fixed assets are measured at cost minus depreciation and amortisation. Depreciation is applied on a straight-line basis over 3-5 years.

Property, plant and equipment

Property, plant and equipment is measured at cost minus accumulated amortisation, depreciation and impairment losses.

Cost comprises acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation and, with regard to ships, costs in connection with docking for class survey.

Costs for a ship's conversion are also included in the cost price when such conversion refers to safety, life-extending or revenue-improving measures.

Interest on capital that is used during the construction period for prepayments is included in the cost price of the asset in question.

Leasehold improvements are included under buildings.

Depreciation is calculated on the basis of cost price minus expected scrap value at the end of its useful life. Straight-line depreciation is applied, based on the following evaluations of the expected useful lives of the assets:

- | | |
|---|-------------|
| • Ships | 10-20 years |
| • Ships – docking for class survey | 2.5 years |
| • Buildings | 5-30 years |
| • Transport equipment, harbour boats, machinery and fixtures and fittings | 3-10 years |

Material assets are written down to the lower of recoverable amount and carrying amount when this is lower than the carrying amount, where the recoverable value represents the higher value of the asset's capital value at continued use of the assets or the fair value of the assets at the balance sheet date.

Profits and losses from the sale of intangible fixed assets and property, plant and equipment are calculated as the difference between selling price minus selling costs and the carrying amount at the time of sale.

Financial leased assets are measured and recognised in accordance with the same principles as material assets.

Sale and lease back

During the year, Royal Arctic Line A/S has taken delivery of two ships, where a subsequent sale-and-lease back agreement has been made with two Spanish-founded companies (Mar de Markina, S.L. and Mar de Figueiro, S.L.). The Spanish companies are wholly owned by Royal Arctic Line A/S.

The ships are recognised in the accounts as a fixed asset from the time of delivery from the yard. Like the ships at initial recognition, these are recognised in the company's total net payments to the yard in accordance with the shipbuilding contract with the addition of other costs directly related to the construction.

Investments in Group companies and associated companies

Investments in Group companies and associated companies are recognised and measured according to the equity method. This means that investments are measured in the balance sheet at the proportionate share of the companies' intrinsic book value plus or minus unamortised positive, or negative Group goodwill on consolidation and plus or minus unrealised intra-Group profits or losses.

Group companies and associated companies with negative equity value are measured at nil and any receivables from these companies are amortised by the Parent Company's share of such negative equity value if it is deemed irrecoverable. If the negative equity value exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent Company has a legal or constructive obligation to cover the liabilities of the company in question.

Net revaluation of investments in Group companies and associated companies is taken to reserve for net revaluation of investments to the extent that the carrying value exceeds the cost.

The purchase method is applied in the acquisition of Group companies. Refer to the above-mentioned description under consolidated financial statements.

Other securities

Securities recognised under fixed asset investments comprise listed bonds and investments measured at fair value (quoted price) at the balance sheet date. Unrealised gains and losses are recognised in the income statement. Securities not traded on an active market are measured at cost or at a lower recoverable amount.

Inventories

Inventories are measured at cost using the FIFO method or net realisable value, whichever is lower.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value minus write-down for bad debts.

Prepayments

Prepayments recognised under assets comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost, which usually equals the nominal amount.

Dividend

Dividend is recognised as a liability at the time of adoption at the Annual General Meeting. Any dividend proposed for the financial year is disclosed as a separate item in equity.

Provisions

Deferred tax is recognised and measured in accordance with the balance sheet liability method of all temporary differences between the carrying amount and tax-based value of assets and liabilities. The tax-based value of the assets is calculated on the basis of the planned use of each asset.

Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect according to law at the balance sheet date when the deferred tax is expected to translate into current tax.

Deferred tax is calculated at 26.5%.

Warranty commitments include commitments under maritime law.

Long-term debt

At the time of borrowing, debt is measured at cost, which is equivalent to the proceeds received less transaction costs. The debt is subsequently measured at amortised cost equalling the capitalised value, applying the effective interest method.

Financial leasing obligations

Leasing obligations regarding financial leased assets are recognised on the balance sheet as debts and are measured at the time of entering into the contract at the present value of the future lease payments. After initial recognition, leasing obligations are measured at amortised cost. The difference between the present value and the nominal value of the lease payments is recognised in the income statement over the term of the contracts as a financial expense.

Other financial liabilities

Other financial liabilities are recognised at amortised cost, which usually equals nominal value.

Prepayments

Prepayments recognised under liabilities comprise income received for recognition in subsequent financial years. Prepayments are measured at amortised cost, which usually equals the nominal amount.

Amounts charged to cover the costs of establishing and operating border inspection posts are also included.

Cash Flow Statement

The cash flow statement for the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the financial year.

Cash flows from the acquisition and divestment of companies are shown separately under cash flows from investing activities. Cash flows from acquired companies are recognised in the cash flow statement from the time of their acquisition, and cash flows from companies divested are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit or loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities consist of payments in connection with acquisition and divestment of companies and activities as well as acquisition and sale of intangible assets, fixed assets and financial fixed assets.

Cash flows from financing activities comprise changes in the amount or composition of the Group's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends.

Cash and cash equivalents comprise cash at bank and in hand.

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