

# INTERIM REPORT 2022







# Financial Highlights

The Group's performance over a three-year period shown as the financial highlights for the first six months:

DKK million

<b>Income statement</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Net revenue	500	441	372
Total revenue	503	445	415
Operating profit	(81)	(46)	(33)
Net financials	(11)	(13)	(4)
Profit for the period before tax	(91)	(59)	(37)
Profit for the period	(67)	(44)	(27)
Dividend	0	0	0
<b>Balance sheet</b>			
Balance sheet total	1.589	1.569	1.557
Investments, fixed assets	52	87	290
Net working capital	(23)	(60)	(68)
Long-term debt	639	644	624
Equity	643	643	644
<b>Cash flow statement</b>			
Cash flow from operating activities	(30)	(45)	9
Cash flow from investment activities	(51)	(85)	(289)
Cash flow from financial activities	29	7	291
Increase/decrease in cash and cash equivalents	(52)	(124)	11
Cash at period-end	124	134	229
<b>Key ratios *</b>			
Profit margin (%)	(16,1%)	(10,4%)	(8,9%)
Return on capital (%)	(5,1%)	(2,9%)	(2,1%)
Return on equity (ROE)	(10,4%)	(6,8%)	(4,3%)
Solvency ratio (%)	40,5%	41,0%	41,4%
Return on invested capital (ROIC)	(6,5%)	(3,7%)	(3,2%)
Gearing of operating assets	1,9	1,9	1,6
<b>Average number of full-time employees</b>	726	775	755
<b>Pre-tax profit/loss per employee (DKK 1,000)</b>	(126)	(77)	(49)
<b>Net revenue per employee</b>	0,69	0,57	0,49

\* Financial ratios are calculated in accordance with CFA Society Denmark's "Recommendations and Financial Ratios"

## 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)	=	$\frac{\text{Profit for the period} \times 100}{\text{Average equity}}$
Solvency ratio (%)	=	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit/loss before financial items} \times 100}{\text{Average invested capital incl. goodwill}}$
Gearing of operating assets	=	$\frac{\text{Average capital invested incl. goodwill}}{\text{Equity at year-end}}$

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.



# Management Review, Interim Report for the First Half of 2022

## **Increasing uncertainty in the world**

The first half of 2022 was marked by major global uncertainty due to the Russian invasion of Ukraine. The geopolitical uncertainty comes after a period in which many countries used extensive support packages financed via monetary- and fiscal-policy measures to keep the economy stable during the coronavirus crisis. This has created a cocktail that has proved to be disruptive to the economy, among other things resulting in the highest inflation rates for more than 40-50 years in most parts of the world.

## **Inflation**

The reaction to the high inflation rates is sharply rising interest rates and an increased risk of a prolonged recession. However, we are well prepared. We can see that, in timing terms, the reinvestment in a new fleet has proved to be close to optimal. All other things being equal, inflation will push up the prices for new vessels and the increasing level of interest rates will also make the associated financing more expensive.

The last newbuilding – settlement vessel Tiliq Arctica – was delivered to Royal Arctic Line in the spring of 2022, and the financing agreements were entered into before the interest rate turmoil began. The implementation of the reinvestment programme in a period with low inflation and low interest rates is of great economic value and will benefit Greenland's consumers for a good many years to come. The restructuring of the route network, with replacement of fixed costs outside Greenland by variable costs, means that any recession, with declining freight volumes and increased wage pressure outside Greenland, will have less impact on the company than before. However, we do expect that the high inflation rates in the world around us will affect our costs and this makes us compelled to adjust our rates.

## **Impact of rates on the country's price and business development**

Royal Arctic Line's freight rates have a significant impact on price levels for groceries and construction in Greenland. In the early 1990s, the rates were used successfully to give the hard-pressed trawler fleet a financial helping hand. We can see that the instrument of low freight rates for the export industries has served us well, and the people of Greenland can now benefit from a financially sound and well-consolidated trawler fleet that will be competitive even without low freight rates.

Once again, we can note that Greenland itself has not been affected by the substantial freight and logistics price increases observed in the rest of the world, where increases of 100% have not been unusual.

In recent years, Greenland has invested heavily in our transport infrastructure. The vision is for the investments to help the tourism industry become a supporting pillar of the economy. The required growth will entail major investments in the form of hotels, housing, etc. Royal Arctic Line's freight prices have an impact on these investments and thereby influence whether the socioeconomic return from the major public investments in airports, for example, can be fully realised.

One of the reasons for restructuring Royal Arctic Line's network is to make it easier to do business with Greenland. One factor is the availability of the infrastructure. This has been achieved by restructuring the network. Another factor is the behaviour of the customers, as it can take years for customers to see the new opportunities. Royal Arctic Line can incorporate elements in the rate structure to promote a change of behaviour in favour of utilising the opportunities the network provides.



We are therefore reviewing our rate structure to help restore balance in terms of which customers pay for our services. These changes will have the positive side effect of mitigating the threat of high inflation as much as possible for the Greenland's population and that our rate structure is designed to support the developing sectors and markets.

The work is ongoing and is expected to be completed in the autumn of 2022.

#### **Interim result**

The interim result is affected by the final phase of the strategy roll-out, with Royal Arctic Line no longer calling at Aalborg as a permanent element of the sailing schedule. The change means that fixed costs outside Greenland are reduced significantly. A necessary side effect has been a reduction of the workforce in Denmark.

At the start of 2022, the redundancy terms for these employees were finalised. In the negotiations, great weight was given to the individual's finances and to ensuring stable operations in Aalborg until the end of June, so that agreements were negotiated with the now terminated employees with which both they and Royal Arctic Line are satisfied. This was reflected in stable operations throughout the process. Together with a number of costs associated with returning the port terminal and the other leases to the Port Of Aalborg, this was subject to final negotiation during the first half of the year. This is reflected in the recognition of these costs in the accounts. In overall terms, it can be concluded that the financial uncertainty associated with exiting the port is now insignificant.

This item had a negative impact on the interim result at DKK 27 million, which was in line with expectations. The end result has been good agreements for all parties, contributing to ensuring a stable supply to Greenland and safeguarding export businesses in the first half of 2022. Overall, we therefore assess that the six months progressed satisfactorily.





### **Risk management**

Royal Arctic Line continuously re-evaluates its risk profile in relation to future outlook, in terms of both its own operations and global development trends. The company is in ongoing dialogue with banks and investment institutions to ensure it has the necessary instruments at its disposal to safeguard its continued operation.







# The Interim Report and Expectations for the Year

Royal Arctic Line's revenue amounted to DKK 503 million for the first half of 2022, compared to DKK 445 million for the first half of the previous year before. The company's freight volumes are in line with expectations for the period. The increase in revenue is mostly a consequence of a higher oil and currency surcharge and an increase in revenue that does not relate to the concession, including in the new markets that have been made available as a result of calling at additional North Atlantic ports. There is thus no increase in freight volumes to and from Greenland.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were a loss of DKK 26 million, which is a decrease compared to a result close to zero (DKK 1 million) for the same period last year. The lower result is primarily due to the aforementioned non-recurring costs in connection with the discontinuation of Royal Arctic Line's terminal operations in Aalborg.

The company's depreciation increased by DKK 8 million for the period, due to the phasing-in of a further two settlement vessels from the Nodosa shipyard in Spain, which increases depreciation to DKK 55 million for the first half of 2022.

This was expected and is described in further detail in the 2020 interim report. Depreciation will peak in 2023, when the full effect of the fleet renewal is achieved.

Overall, this gives a pre-tax loss of DKK 91 million, which corresponds to a decrease of DKK 32 million, compared to a loss of DKK 59 million one year before. Excluding one-off costs and the increased depreciation, the result is a slight improvement on 2021, and is considered to be satisfactory.

The outlook for the full year is maintained as a loss in the region of DKK 56-66 million. This corresponds to the level communicated in connection with the Annual Report for 2021. It includes one-off costs for exiting the Port of Aalborg amounting to DKK 27 million, as well as costs related to double operations in Aalborg during the last half of 2022, estimated at DKK 10 million. These costs will not be incurred going forward.

However, the result is subject to greater uncertainty than normal, as a consequence of the increasing uncertainty and the risk of high inflation.

Management  
Sisimiut, 7 September 2022







# Management Statement on the Interim Report

The Board of Directors and the Executive Board have today examined and adopted the unaudited interim report for the period 1 January – 30 June 2022 for Royal Arctic Line A/S.

The interim report has been presented in accordance with the Danish Financial Statements Act.

We consider the applied accounting policies appropriate for the interim report to provide a true and a fair view of the Group and the Parent Company's financial position and results, as well as their cash flows. No significant events have occurred after the balance sheet date which would materially influence the evaluation of this interim report.

Sisimiut, 7 September 2022

## Executive Board



Verner Sonny  
Daugård Hammeken  
CEO



Aviåja Lyberth Lennert  
Deputy CEO  
CEO, Arctic Umiaq Line



Jørgen Aqe Møller  
CFO



Anders Bay Larsen  
Head of fleetmanagement



Bebiane Boye Hansen  
CHRO, Human Resources



Ivalu Kleist  
COO, Operations



Niels Clemensen  
CCO, Customer Service  
& Sales



## Board of Directors



Páviaraq Heilmann  
Chairman

*Páviaraq Heilmann*



Erik Jørgen Østergaard  
Vice-chairman

*Erik Jørgen Østergaard*



Minannguaq Hilda  
Zeeb

*Minannguaq Hilda Zeeb*



Julia K. Olsen

*Julia K. Olsen*



Heiðrún Jónsdóttir

*Heiðrún Jónsdóttir*



Erik Sivertsen

*Erik Sivertsen*



Tina Lange Olsen

*Tina Lange Olsen*



Eydun Simonsen

*Eydun Simonsen*



Laust Lindskov  
Vestergaard

*Laust Lindskov Vestergaard*

# Company Details

<b>The Company</b>	Royal Arctic Line A/S Aqqusinersuaq 52 P.O. Box 1580 3900 Nuuk Telephone: +299 34 91 00 E-mail: ral@ral.gl Website: www.ral.gl
<b>Registration number</b>	A/S 209.527
<b>CVR number</b>	16545538
<b>Registered</b>	Nuuk, Greenland
<b>Share capital</b>	DKK 120 million
<b>Ownership</b>	Wholly owned by the Government of Greenland, Nuuk, Greenland.
<b>Board of Directors</b>	Pâviâraq Heilmann, Chairman Erik Jørgen Østergaard, Vice Chairman Erik Sivertsen Heiðrún Jónsdóttir Julia K. Olsen Miinannguaq Hilda Zeeb Eydun Simonsen* Laust Lindskov Vestergaard* Tina Lange Olsen* <i>* Elected by employees in 2022 for a four-year term.</i>
<b>Executive Board</b>	Verner Sonny Daugård Hammeken, CEO Aviâja Lyberth Lennert, Deputy CEO / CEO Arctic Umiaq Line Jørgen Aqe Møller, CFO Anders Bay Larsen, Head of Fleet Management Ivalu Kleist, COO, Operations Bebiane Boye Hansen, CHRO, Human Resources Niels Clemensen, CCO, Customer Service & Sales
<b>Auditors</b>	Grønlands Revision A/S and PricewaterhouseCoopers



# Income Statement for the period 1 January – 30 June 2022

DKK 1,000		Royal Arctic Line A/S		Royal Arctic Group	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
1	Net revenue	479,641	423,476	499,683	441,288
	Other operating income	11,584	11,952	3,664	3,924
	Cargo-related expenditure	(18,872)	(11,372)	(20,385)	(12,467)
	<b>Gross profit</b>	<b>472,353</b>	<b>424,056</b>	<b>482,962</b>	<b>432,745</b>
2	Other external expenditure	(287,885)	(216,410)	(298,715)	(226,163)
	Staff expenditure	(208,932)	(204,886)	(210,027)	(205,528)
	Amortisation, depreciation and impairment losses on fixed assets	(53,175)	(46,026)	(54,915)	(47,099)
	<b>Operating profit</b>	<b>(77,640)</b>	<b>(43,266)</b>	<b>(80,695)</b>	<b>(46,046)</b>
	Income from investments in affiliated companies	(2,331)	(2,089)	0	0
	Income from investments in associated companies	166	112	166	112
	Other financial income	310	87	319	87
	Other financial expenditure	(11,136)	(13,458)	(11,235)	(13,521)
	<b>Profit before tax</b>	<b>(90,630)</b>	<b>(58,614)</b>	<b>(91,445)</b>	<b>(59,367)</b>
	Tax on profit for the period	23,443	15,008	24,258	15,761
	<b>Profit for the period</b>	<b>(67,187)</b>	<b>(43,606)</b>	<b>(67,187)</b>	<b>(43,606)</b>

# Assets as at 30 June

DKK 1.000	Royal Arctic Line A/S		Royal Arctic Group	
	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
Fixed assets				
<b>Intangible fixed assets</b>				
Software	9,875	3,573	9,875	3,573
Development projects	852	6,628	852	6,628
<b>Total intangible assets</b>	<b>10,727</b>	<b>10,201</b>	<b>10,727</b>	<b>10,201</b>
<b>Material assets</b>				
Ships	1,095,505	941,468	1,101,514	944,385
Buildings	42,585	45,059	42,585	45,059
Transport equipment, harbour boats, machinery and fixtures	93,261	97,825	93,261	97,825
Assets under construction	15,212	169,743	15,212	169,743
<b>Total material assets</b>	<b>1,246,563</b>	<b>1,254,095</b>	<b>1,252,572</b>	<b>1,257,012</b>
<b>Financial assets</b>				
Income from investments in affiliated companies	19,629	21,960	0	0
Income from investments in associated companies	4,820	4,654	4,820	4,654
Other securities	1,019	1,022	1,019	1,022
<b>Total financial assets</b>	<b>25,468</b>	<b>27,636</b>	<b>5,839</b>	<b>5,676</b>
<b>Total fixed assets</b>	<b>1,282,758</b>	<b>1,291,932</b>	<b>1,269,138</b>	<b>1,272,889</b>
Current assets				
<b>Inventories and operating stock</b>				
Operating stock	29,448	8,168	29,997	9,188
<b>Total inventories and operating stock</b>	<b>29,448</b>	<b>8,168</b>	<b>29,997</b>	<b>9,188</b>
<b>Receivables</b>				
Trade receivables	125,151	110,237	127,819	110,666
Receivables from affiliated companies	5,358	5,040	0	0
Other receivables	28,556	4,594	28,716	4,610
Accruals and prepayments	8,740	5,108	9,380	5,930
<b>Total receivables</b>	<b>167,805</b>	<b>124,979</b>	<b>165,915</b>	<b>121,206</b>
<b>Cash and cash equivalents</b>				
<b>Cash and cash equivalents</b>	<b>95,945</b>	<b>145,851</b>	<b>123,933</b>	<b>176,239</b>
<b>Total current assets</b>	<b>293,198</b>	<b>278,998</b>	<b>319,845</b>	<b>306,633</b>
<b>Total assets</b>	<b>1,575,956</b>	<b>1,570,930</b>	<b>1,588,982</b>	<b>1,579,522</b>



# Equity and Liabilities as at 30 June

DKK 1.000	Royal Arctic Line A/S		Royal Arctic Group	
	30 June 2022	31 Dec. 2021	30 June 2022	31 Dec. 2021
<b>Equity</b>				
Share capital	120,000	120,000	120,000	120,000
Reserve for net revaluation, equity method:				
– Affiliated companies	14,699	16,960	0	0
– Associated companies	1,157	1,157	1,157	1,157
Other statutory reserves:				
Reserve for development costs	626	4,872	0	0
Retained earnings	506,717	540,025	522,042	561,857
Proposed dividend	0	2,550	0	2,550
<b>Total equity</b>	<b>643,199</b>	<b>685,564</b>	<b>643,199</b>	<b>685,564</b>
<b>Provisions for liabilities</b>				
Deferred tax	14,722	38,166	14,486	38,745
Other provisions	1,616	1,059	1,616	1,059
<b>Total provisions for liabilities</b>	<b>16,338</b>	<b>39,225</b>	<b>16,102</b>	<b>39,804</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
4 Mortgage debt on ships	637,518	613,474	637,518	613,474
Mortgage debt	567	567	567	567
Leasing debt	926	1,052	926	1,052
<b>Total non-current liabilities</b>	<b>639,011</b>	<b>615,093</b>	<b>639,011</b>	<b>615,093</b>
<b>Current liabilities</b>				
Next year's instalments on non-current liabilities	69,580	61,503	69,580	61,503
Trade payables	77,840	39,885	75,663	40,473
Income tax	0	0	1,859	1,859
Other payables	107,369	109,173	120,725	114,739
Prepayments and accrued income	22,619	20,487	22,844	20,487
<b>Total current liabilities</b>	<b>277,408</b>	<b>231,048</b>	<b>290,671</b>	<b>239,061</b>
Total liabilities	916,419	846,141	929,682	854,154
<b>Total equity and liabilities</b>	<b>1,575,956</b>	<b>1,570,930</b>	<b>1,588,982</b>	<b>1,579,522</b>

# Cash Flow Statement for the period 1 January - 30 June

DKK 1,000

	Royal Arctic Line A/S		Royal Arctic Group	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
<b>Cash flow from operating activities</b>				
Operating profit	(77,640)	(43,266)	(80,695)	(46,046)
Amortisation, depreciation and impairment losses	53,175	47,439	54,915	48,512
Gain/loss on sale of fixed assets	(1,184)	(1,413)	(1,184)	(1,413)
Change in working capital	2,759	(37,214)	6,597	(33,259)
<b>Cash flow from primary operations</b>	<b>(22,889)</b>	<b>(34,454)</b>	<b>(20,367)</b>	<b>(32,206)</b>
Net interest	(9,970)	(12,556)	(10,060)	(12,683)
Dividend paid	0	0	0	0
Tax paid	0	0	0	0
<b>Cash flow from operating activities</b>	<b>(32,859)</b>	<b>(47,009)</b>	<b>(30,427)</b>	<b>(44,888)</b>
<b>Cash flow from investment activities</b>				
Investments	(47,500)	(86,727)	(52,332)	(87,380)
Fixed asset divestment	1,184	2,017	1,184	2,017
Financial assets	3	4	3	4
<b>Cash flow from investment activities</b>	<b>(46,313)</b>	<b>(84,706)</b>	<b>(51,144)</b>	<b>(85,359)</b>
<b>Cash flow from financial activities</b>				
Borrowing during the period	62,722	111,970	62,722	111,970
Installments for the period	(30,906)	(102,934)	(30,906)	(102,934)
Dividend paid	(2,550)	(2,500)	(2,550)	(2,500)
<b>Cash flow from financial activities</b>	<b>29,266</b>	<b>6,536</b>	<b>29,266</b>	<b>6,536</b>
Change in cash and cash equivalents	(49,906)	(125,179)	(52,306)	(123,711)
Cash and cash equivalents at the start of the period	145,851	235,778	176,239	257,682
<b>Cash and cash equivalents at the end of the period</b>	<b>95,945</b>	<b>110,599</b>	<b>123,933</b>	<b>133,971</b>
<b>Distributed as follows:</b>				
Cash and cash equivalents	95,945	110,599	123,933	133,971
<b>Total</b>	<b>95,945</b>	<b>110,599</b>	<b>123,933</b>	<b>133,971</b>



# Notes

Unless otherwise stated, all amounts are stated in DKK 1,000

	Royal Arctic Line A/S		Royal Arctic Group	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
<b>1 Net revenue</b>				
The Company's income is derived from transport services between Greenland, Canada, Iceland and Denmark, between towns in Greenland, transport to and from port, stevedore services and other services logically related thereto. Revenue is divided into income from concession sea transport and other, non-concession income.				
Specification of net revenue:				
Concession cargo	394,188	346,559	398,186	350,497
Non-concession cargo	85,453	76,917	101,497	90,791
<b>Total net revenue</b>	<b>479,641</b>	<b>423,476</b>	<b>499,683</b>	<b>441,288</b>
<b>2 Other external expenditure</b>				
Ships	(149,520)	(111,844)	(157,032)	(118,514)
Terminals	(71,366)	(69,355)	(71,369)	(69,355)
Container operations	(17,674)	(13,965)	(17,674)	(13,965)
Sales and administration	(22,348)	(21,246)	(25,663)	(24,329)
Other operating costs	(26,977)	0	(26,977)	0
<b>Total other external expenditure</b>	<b>(287,885)</b>	<b>(216,410)</b>	<b>(298,715)</b>	<b>(226,163)</b>
<b>3 Tangible fixed assets</b>				
Of which financial leased assets	456,686	294,953	456,686	294,953
<b>4 Debt to credit institutions</b>				
Of which leasing obligations	322,135	220,966	322,135	220,966

