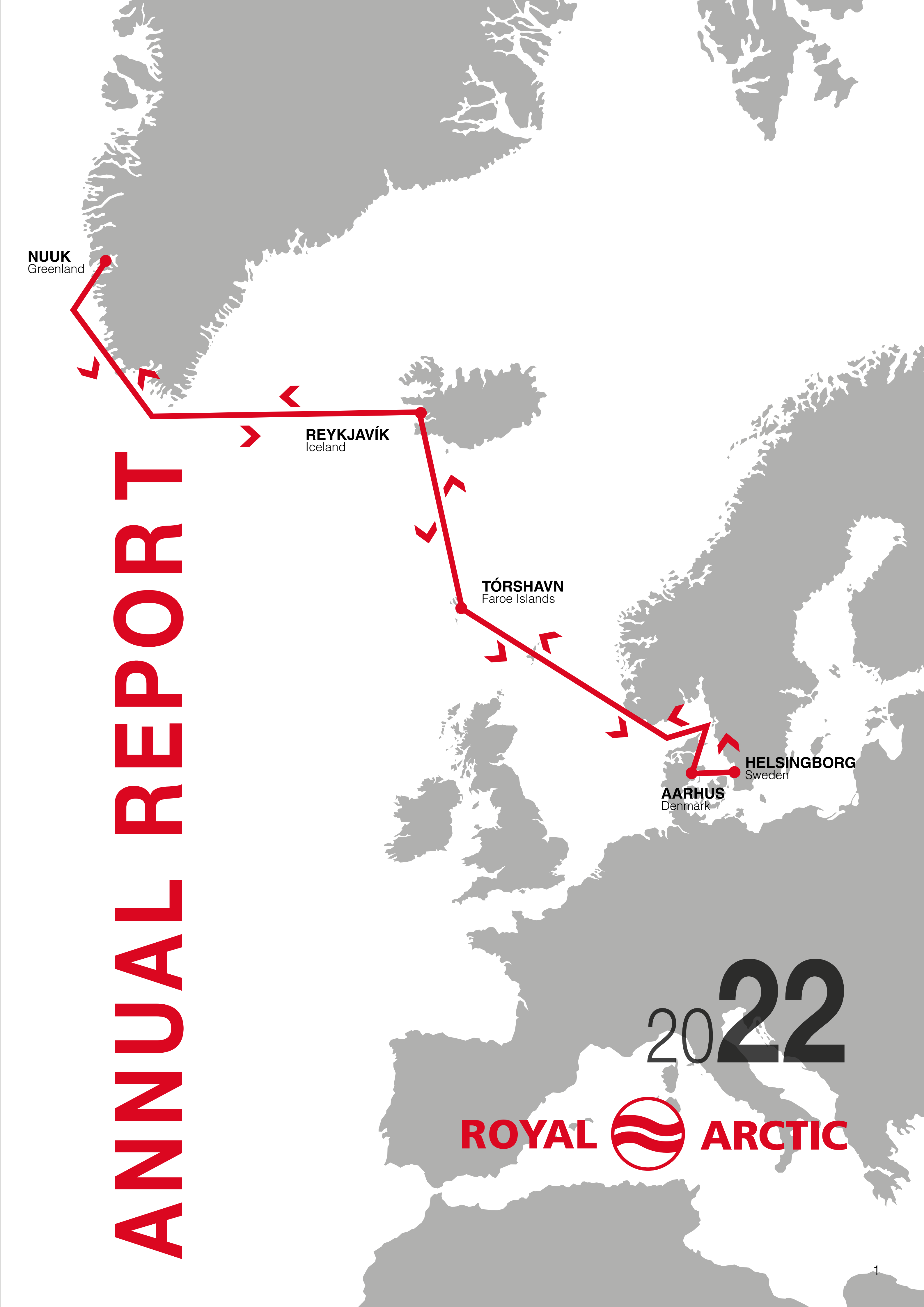
ANNUAL REPORT



2022

ROYAL ARCTIC

Company information

The Company	Royal Arctic Line A/S Aqqusinersuaq 52 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	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* ** Elected by employees in 2022 for a four-year term*
Management Group	Verner Sonny Daugård Hammeken, CEO Aviâja Lyberth Lennert, Deputy CEO Anders Bay Larsen, Senior Director, Fleet Management Bebiane Boye Hansen, CHRO, Human Resources Ivalu Kleist, COO, Operations Jørgen Aqe Møller, CFO Niels Clemensen, CCO, Customer Service & Sales
Auditors	Grønlands Revision A/S PricewaterhouseCoopers

Content

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

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, Aarhus and a number of overseas destinations. This exclusive right entails a legal obligation to ensure the supply of goods to 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 port calls with an appropriate frequency and regularity.

Financial highlights

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

Income statement	**2022**	**2021**	**2020**	**2019**	**2018**
Net revenue	1.166	1.054	979	904	876
Total revenue	1.180	1.076	992	970	942
Operating profit	(73)	28	14	35	32
Net financials	(23)	(24)	(11)	(8)	(9)
Profit for the year before tax	(96)	4	2	27	24
Profit/loss for the year	(74)	2	2	25	14
Dividend	0	3	3	3	0
Balance sheet					
Balance sheet total	1.590	1.580	1.647	1.287	1.175
Investment in intangible and tangible fixed assets	272	433	413	170	185
Net working capital	41	68	111	137	158
Long-term liabilities	641	615	663	353	292
Equity	638	686	682	688	663
Cash flow statement					
Cash flow from operating activities	51	47	108	145	79
Cash flow from investing activities	(68)	(105)	(405)	(169)	(181)
Cash flow from financing activities	(12)	(24)	337	63	40
Changes in cash and cash equivalents	(29)	(81)	40	39	(62)
Cash at year-end	148	176	258	218	179
Key ratios *					
Profit margin (%)	(6,3) %	2,7 %	1,4 %	3,9 %	3,8 %
Return on capital (%)	(4,6) %	1,8 %	0,8 %	2,8 %	2,8 %
Return on equity (ROE)	(11,1) %	0,3 %	0,2 %	3,7 %	2,2 %
Solvency ratio (%)	40,1%	43,4 %	41,4 %	53,4 %	56,4 %
Return on invested capital (ROIC)	(5,7) %	2,2 %	1,2 %	3,9 %	4,2 %
Leverage of operating assets	2,0	1,9	1,9	1,4	1,3
Average number of full-time employees	787	900	794	759	760
Pre-tax profit per employee (DKK 1,000)	(122)	5	3	36	32
Net revenue per employee	1,48	1,17	1,23	1,19	1,15

** 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 2018-2019 have not changed.
In the average number of full-time employees, students are included from 2021.

Definitioner af nøgletal

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

Foreword

2022 was the year in which Royal Arctic Line completed the roll-out of the strategy launched in 2015. A number of important milestones and major operational changes were completed without significant consequences for supply services in Greenland. Security of supply always takes high priority, as a responsibility of which all Royal Arctic Line employees are constantly aware, and which is deeply anchored in the company's culture.

The renewal of the fleet has been completed and Royal Arctic Line now owns a fleet of vessels with a low average age. The fleet modernisation required significant investments, amounting to DKK 1.2 billion, which naturally makes demands of the company's earnings. In the coming years we will therefore have full focus on optimising our operations, to ensure full utilisation of our newly acquired capacity and sailing system.

2022 was affected by considerable global uncertainty, beginning with supply chain challenges as the coronavirus pandemic subsided and the related major support packages lapsed, which underpinned a surge in inflation rates. The supply chain problems were followed by war in Europe, which led to major fluctuations in energy prices in the course of 2022. We are all aware of the consequences for our everyday lives, with rising prices for everyday commodities, and the inflationary pressure on the cost of living.

The general level of interest rates increased multiple time during 2022, which dampened economic activity. Royal Arctic Line also operates outside Greenland and has therefore already seen the effect of significant price hikes for many of the services we receive outside Greenland. In autumn 2022, we therefore applied for a rate increase from Naalakkersuisut (the Greenland Government). We are aware that Royal Arctic Line has an influence on the prices paid by the people of Greenland, and we therefore in principle seek to avoid rate increases. The last rate increase thus took place in 2015, which is almost eight years ago. For the first time, it was sought to increase rates in order to address the areas in which the company's earnings from its activities are low. In cooperation with the concession authority it was thereby possible to maintain the level of rates to Greenland and internally within Greenland.

In 2023, Royal Arctic Line will shift focus from rolling out the strategy to a focus on our core operations. It is our clear expectation that by simplifying and streamlining our core services, we will be able to reduce our costs. Yet we also acknowledge that the high inflation level makes it difficult to avoid further rate increases in the immediate future.

The switch from strategy roll-out to optimising core services makes high demands of systems, employees and management. The Board of Directors and Executive Board are therefore in the process of incorporating operational targets in the ongoing monitoring of the company, to ensure that the paradigm shift in our strategy is communicated clearly and is measurable.

The coming new measures will ensure that Royal Arctic Line reaps the full benefit of the strategy when it is fully implemented. This will ultimately be for the benefit of Greenland in terms of expanded opportunities to trade with the rest of the world, and simpler and more transparent operations.

As 2022 was affected by the final stages of the transition process for Greenland shipping services, the expectation from the outset was a deficit for the year of around DKK 60 million. The result fell short of these expectations. The primary reason is related to a period with double operation and transition costs concerning the switch to external suppliers in Denmark. The individual costs proved to exceed estimates, among other things because it was a top priority to ensure that supply reliability was left unaffected by the change. This was among other things apparent from how we arranged good and reasonable severance schemes for the employees who were part of the workforce in Aalborg, in due respect for their major contribution during the many years when Aalborg was the Greenland port. In isolated terms, the result for 2022 is naturally less satisfactory, but since supply reliability was not affected, and we achieved a smooth transition to the new system after almost 50 years in Aalborg, the individual effects are deemed to be acceptable.

Concurrently with the focus on operations, preparations will be made for the coming fleet investments, even though they lie some years out in the future. After the recently completed newbuildings, global awareness of sustainability has increased considerably, and Royal Arctic Line has a great responsibility in this respect, as we account for a considerable share of CO_2 emissions in Greenland. The environmental aspect will therefore take top priority for future investments.

Påviâraq Heilmann
Formand

Verner Sonny
Daugård Hammeken
CEO

Achieving the vision

In 2015, an ambitious strategy for Royal Arctic Line was launched. The company was to be transformed from being a major player in a closed supply link between Greenland and Denmark, to playing a less dominant role – as "enabler" – by contributing infrastructure to open up the world for Greenland and enable customers to establish new trading routes to, from, and internally within Greenland. The ambition is underlined by the company's mission

Management Report

"We make it easy to do business with all of Greenland"

This was a major change for the company, which during the decades when the monopoly was in force had chosen to focus on specialisation, due to the particularly demanding operations. The vessels, terminals and IT systems were specialised. Royal Arctic Line had a specialist role in bringing supplies to Greenland. In overall terms, this supply functioned satisfactorily, but this was a closed system, with an ageing fleet.

Supply was centred on what was – and today still is – the dominant trading route, i.e. freight between Denmark and Greenland. This specialisation created a barrier that, in isolated terms, was an advantage in terms of retaining the monopoly and existing trade links, but also an impediment to creating more long-term solutions whereby competition could contribute to creating incentives for improvements and, ultimately, more cost-effective supplies to Greenland.

In the 2015 strategy, there was still an awareness of the special conditions in Greenland that must be taken into account. The diversified geography, challenging climate and a political wish for generally uniform freight rates to/from the various destinations in Greenland still applies.

The is reflected in the extensive renewal of the fleet. The new settlement ships Ivalu Arctica, Minik Arctica, Maleraq Arctica, Siuana Arctica, Tilioq Arctica and Arpaarti Arctica, for example, are still highly specialised.

Tukuma Arctica is a standard container vessel, as illustrated by the VSA (vessel sharing agreement) that Royal Arctic Line has entered into with the Icelandic shipping company, Eimskip. This cooperation has significantly reduced the need for investment, since capacity is shared with Eimskip's two sister vessels, Bruarfoss and Dettifoss. With Tukuma Arctica and the cooperation with Eimskip we have thus secured capacity that we would otherwise have to buy in and maintain.

In overall terms, the solution is more cost effective, since Tukuma Arctica and its two sister vessels can carry larger freight volumes, without using cranes, and avoid the special and expensive characteristics that vessels for Greenland routes otherwise require in terms of special ice resistance and size restrictions. Tukuma Arctica and its sister vessels help to ensure that we can achieve a better environmental profile than if specialised vessels were still a requirement.

The construction of the container terminal in the Port of Nuuk made it possible to use standard vessels. The port development was completed in 2017. The Port of Nuuk is owned by Sikuki Nuuk Habour A/S and, as in the case of Tukuma Arctica, does not require the ships serviced by the harbour to be specialised vessels, in contrast to the previous requirement for the vessels to have their own cranes. The terminal is thus not built specially for Royal Arctic Line and today it operates Eimskip's vessels without problems.

The other port terminals in Greenland still require specialised vessels equipped with cranes, just as specialised vessels are needed for feeder and settlement sailing, so that it is not deemed to be realistic to standardise the terminals outside Nuuk.

Outside Nuuk, Royal Arctic Line still adheres to our motto:

"No Port, No Quay, No Problem"

and can still operate at locations requiring barges, own cranes and our own lorries.

The price of standardisation is that all freight to/from Greenland always has to pass via the terminal in Nuuk. This makes Nuuk the hub for all freight coming to Greenland. After the phasing-out of Aalborg, Nuuk has become Greenland's new base port. This requires extra transport of containers, but also makes it possible for freight to be repacked in Nuuk, which increases the utilisation rate for cross-Atlantic container capacity. This potential is not yet fully utilised, but is included in the company's plans for the future.

Royal Arctic Line is working continuously to establish partnerships with global operators, in order to utilise the general cargo potential. The partner agreements will ensure transparent freight prices to/from Greenland, enabling trading on e-commerce platforms, for example, and thereby creating new trading opportunities for consumers in Greenland. This will also facilitate direct foreign trading of commodities from Greenland.

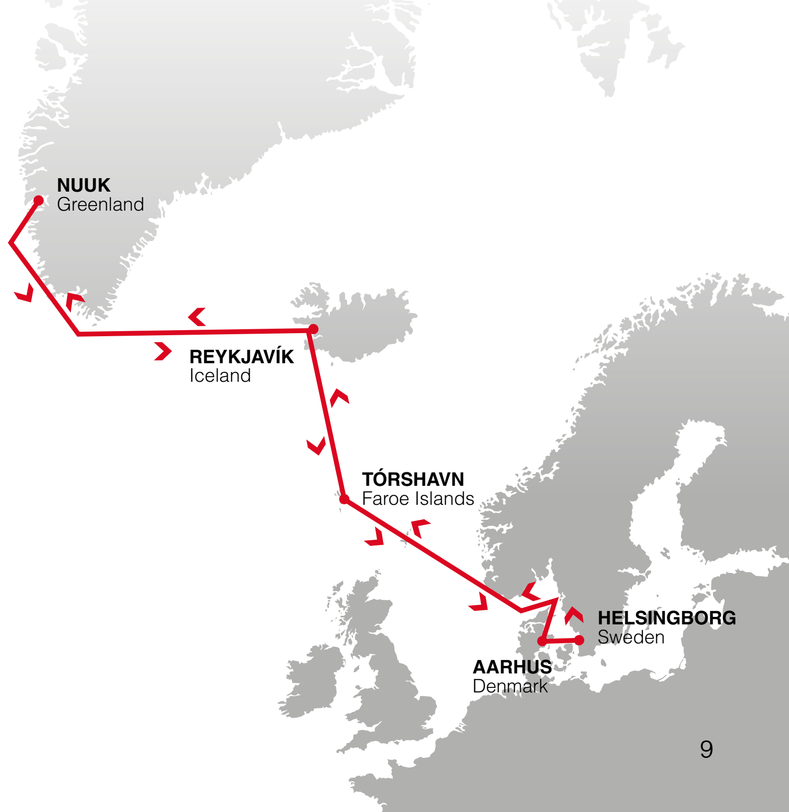
Like the switch to standard container vessels, the closure of our own terminal in Aalborg in favour of the Port of Aarhus will eliminate the barriers that previously existed. This means that freight to Greenland is no longer limited to one specific consignment port, where Royal Arctic Line was also the sole operator. Together with Eimskip, Royal Arctic Line now calls at the following ports: Nuuk, Reykjavik, Reydarfjördur, Thorshavn, Aarhus and Helsingborg.

IT systems and open, standardised interfaces between Royal Arctic Line's systems and our partners were also a focus area. In 2017, the in-house developed GCS freight system was replaced by a standard container freight system. The standard system has now been in operation for more than five years and has contributed to simplifying port calls and cooperation with port terminals and ships that are not operated by Royal Arctic Line.

In the course of the five years with the system, the company and the world around us have changed. An upgrading of the system in the course of the next few years is therefore planned. The objective will be to support data exchange with partners to an even greater extent. The ambition will also be for Royal Arctic Line's customers, through a far greater self-service element than is the case today, to be able to match bookings to their own requirements, thereby ensuring better matching of the service delivered to the customer's requirements.

All of these measures, with deliberate prioritised standardisation in some areas, and equivalent deliberate retention of specialisation in other areas, are intended to make it easier to trade with the whole of Greenland without having to allow for the special conditions in the country.

The strategy has now been fully implemented by Royal Arctic Line. In simplified terms, the barriers to trading with Greenland have been reduced, and all freight can now reach Nuuk solely using services that can be delivered without any requirement for specialised vessels, etc. This opens up opportunities for trade and competition, and furthermore without Royal Arctic Line having to deliver the service.



2022 – EVENTS DURING THE YEAR AND LATEST STEPS

In order to protect security of supply, the Board of Directors decided to accept dual operations for just over six months by bringing forward the change of port in Denmark to June 2022, compared to December 2022, as originally planned. The last call at the Port of Aalborg took place in June 2022, and was celebrated with a farewell ceremony in gratitude for the long and fruitful cooperation with Aalborg.

In contrast to the Port of Aalborg, the Port of Aarhus is far better connected to the rest of the world, and 60 % of Denmark's imports arrive in Aarhus. This opens up new opportunities for trade with Greenland.

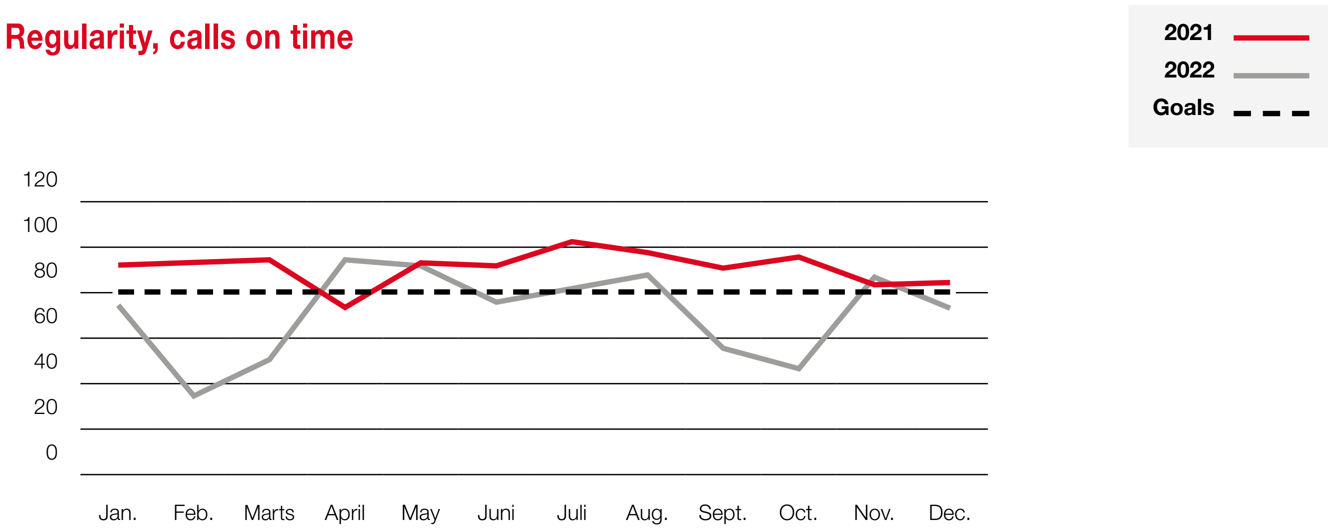
Together with customers and the market, Royal Arctic Line will adapt to the new structure in the coming years. This will set appurtenant requirements for trading agreements and other development of official authorities' trading roles, including the Danish Veterinary and Food Administration. We are in no doubt that the fundamental change in infrastructure will open up new opportunities that do not exist today, but which will be of great future significance for the people of Greenland.

Regularity in 2022

The changed route structure, with calls at more ports outside Greenland, is opening up new opportunities. This also means that at some locations, problems affecting regularity may arise. In 2022, Royal Arctic Line and our customers experienced how global supply chain problems can affect customers in Greenland, since for some periods the terminal in the Port of Aarhus had problems keeping up with the very large freight volumes as a consequence of supply chain challenges in 2021 and 2022.

Challenging weather conditions led to more delays in calling at the Port of Nuuk than we normally see in the autumn. The Port of Nuuk is the hub for all freight to and from Greenland, so that even though the Nuuk terminal fought hard to minimise the consequences of the delays, they could not be avoided completely, which is reflected in the regularity achieved.

Regularity, calls on time



Irregularity not only affects customers, but also increases e.g. overtime costs at the terminals in Greenland, and also entails higher bunker consumption, in order to make up for delays.

Close cooperation with local society and owner

In the autumn, Tasiilaq was affected by a very strong Piteraq (cold katabatic wind), which caused considerable material damage and destruction. In cooperation with the parties affected, and thanks to the good weather and ice conditions, we managed to get an extra ship to the town without problems, outside our normal sailing period. It was therefore possible to repair the worst material damage to buildings, etc. in Tasiilaq before the more severe winter weather conditions arrived.

Inflation set new records in 2022 and was driven by such factors as spiralling oil and energy prices, combined with a rising USD rate, while gas deliveries from Russia to Europe were affected by the war in Ukraine. As a consequence, energy prices outside Greenland rose to record-high levels.

Royal Arctic Line was also affected, and during 2022, our customers saw the bunker adjustment factor/currency adjustment factor rise above 30 %. To limit the effect for people in Greenland, Naalakkersuisut engaged in cooperation with Royal Arctic Line whereby Naalakkersuisut financed the margin between the calculated bunker adjustment factor/currency adjustment factor for refrigerated and frozen goods, and general freight, respectively, down to 0 %/14 %.

Under this scheme, price increases for people in Greenland were limited by a ceiling. During autumn 2022, the bunker price and USD rate normalised, so that the scheme was not renewed at the turn of the year.

Naalakkersuisut allocated DKK 30 million to this initiative, but due to falling bunker prices in Q4 2022, only just over half of the allocated pool was used.

The two specific tasks were resolved so as to help the people of Greenland. This took place in constructive collaboration between Naalakkersuisut/owner/local community and the company. Resolving these tasks was of no commercial value to the company, but they both created value for the people of Greenland. The positive value of public ownership of critical infrastructure was visible and specific.

A survey of the corporate culture for employees in 2022 showed that measures whereby the company makes a visible difference for the community are an integral element of the workplace culture for Royal Arctic Line's employees. We are proud to contribute to the community.

Inflation pressure and rates

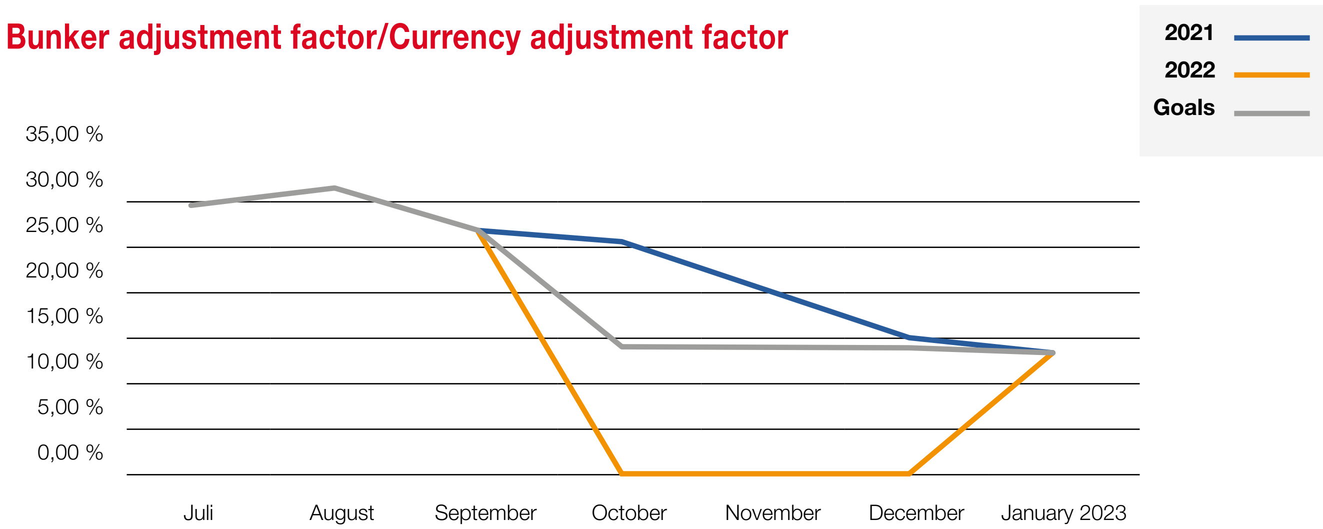
The Greenland Economic Council expects that inflation in Greenland will be around 4 % in 2022, which is less than half the inflation rates observed in the countries outside Greenland in which Royal Arctic Line operates.

Due to inflationary pressure, prices for the services we receive outside Greenland have been raised equivalently. In Greenland, Royal Arctic Line has an agent agreement with KNI/Pilersuisoq on the handling of freight in settlements and the towns where Royal Arctic Line does not itself have a freight office. With effect from 2023, KNI has raised the price of their service by DKK 10-12 million annually, due to their actual costs for delivery of the service.

During 2022 we therefore had to acknowledge that, after eight years with no rate increases, we would have to apply for a rate increase.

Inflation is expected to decline significantly in 2023. It will still be at a relatively high level, however (5 %, source: Danish Economic Councils, Denmark). It must also be expected that Greenland can no longer be shielded from the rising energy prices, which will put further pressure on our costs and contribute to increased wage pressure from our employees. We therefore expect another rate increase at the start of 2024.

Bunker adjustment factor/Currency adjustment factor



Development in freight volumes

In overall terms, freight volumes increased by 2.4 % during 2022, compared with the same period in 2021.

The development is primarily driven by growth in southbound freight volumes, which increased by 5.1 %, and a 1.0 % increase in northbound freight volumes. Furthermore, internal freight volumes increased by 1.4 %.

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Northbound freight volumes

Northbound freight volumes (in cubic metres)	Realised 2021	Realised 2022	Development	Index linking	Percentage share of total development
Standard freight	361.762	365.214	3.452	101	66 %
Car, boat, construction machine	25.333	29.407	4.074	116	78 %
Dangerous goods	9.990	9.715	- 275	97	- 5 %
Hazardous temperatures.	176	127	- 49	72	- 1 %
Flatrack cargo	14.419	12.517	- 1.902	87	- 37 %
Environmental goods	-	-	-		0 %
Oversize cargo	14.576	8.314	- 6.261	57	- 120 %
Tank containers	3.930	3.500	- 430	89	- 8 %
Temperature controlled	101.261	106.125	4.864	105	- 93 %
Transport equipment	9.184	10.217	1.032	111	20 %
Other	1.077	1.781	703	165	14 %
Total northbound	**541.709**	**546.916**	**5.207**	**101**	**100 %**

There was a small 1.0 % increase in northbound freight volumes during 2022, compared with 2021. The primary northbound freight volumes are driven by ordinary temperature-controlled freight, as well as cars, boats and construction machinery.

Temperature-controlled freight achieved a 4.8 % increase in the comparison period, which is derived from the expanded economic activity in Greenland. Furthermore, ordinary freight and cars, boats and construction machinery achieved increases of 1.0 % and 16.1 %, respectively.

Southbound freight volumes

Southbound freight volumes (in cubic metres)	Realised 2021	Realised 2022	Development	Index linking	Percentage share of total development
Standard freight	18.444	18.166	- 278	98	- 2 %
Car, boat, construction machine	1.894	2.417	523	128	3 %
Dangerous goods	5.206	6.273	1.067	120	6 %
Hazardous temperatures.	3	-	- 3	0	0 %
Flatrack cargo	124	91	- 33	73	0 %
Environmental goods	5.241	7.883	2.642	150	16 %
Oversize cargo	235	1.359	1.125	580	7 %
Tank containers	-	-	-		0 %
Temperature controlled	281.951	293.825	11.873	104	70 %
Transport equipment	15.747	15.408	- 339	98	- 2 %
Other	848	1.225	377	144	2 %
Total southbound	**329.693**	**346.646**	**16.953**	**105**	**100 %**

Southbound freight volumes are primarily driven by the export of shellfish and fish products. Exports of temperature-controlled freight saw an increase of 4.2 %, compared with 2021.

There was also a 479.5 % increase in oversize cargo volumes, due to consignments of oversize boats and helicopters.

There was also a 50.4 % increase in environmental freight volumes, due to the increased focus on reprocessing of environmental freight in Denmark.

Finally, there was a 20.5 % increase in hazardous cargo volumes, due to a charter with the defence sector.

Internal freight volumes

Internal freight volumes (in cubic metres)	Realised 2021	Realised 2022	Development	Index linking	Percentage share of total development
Standard freight	83.596	80.273	- 3.323	96	- 146 %
Car, boat, construction machine	14.978	27.801	12.823	186	562 %
Dangerous goods	2.291	2.029	- 262	89	- 11 %
Hazardous temperatures.	0	7	7	9500	0 %
Flatrack cargo	1.601	2.163	562	135	25 %
Environmental goods	2.190	1.689	- 501	77	- 22 %
Oversize cargo	1.223	1.578	354	129	16 %
Tank containers	-	-	-		0 %
Temperature controlled	52.207	44.796	- 7.410	86	- 325 %
Transport equipment	4.958	5.024	67	101	3 %
Other	141	106	- 34	76	- 1 %
Total internal	**163.184**	**165.466**	**2.282**	**101**	**100 %**

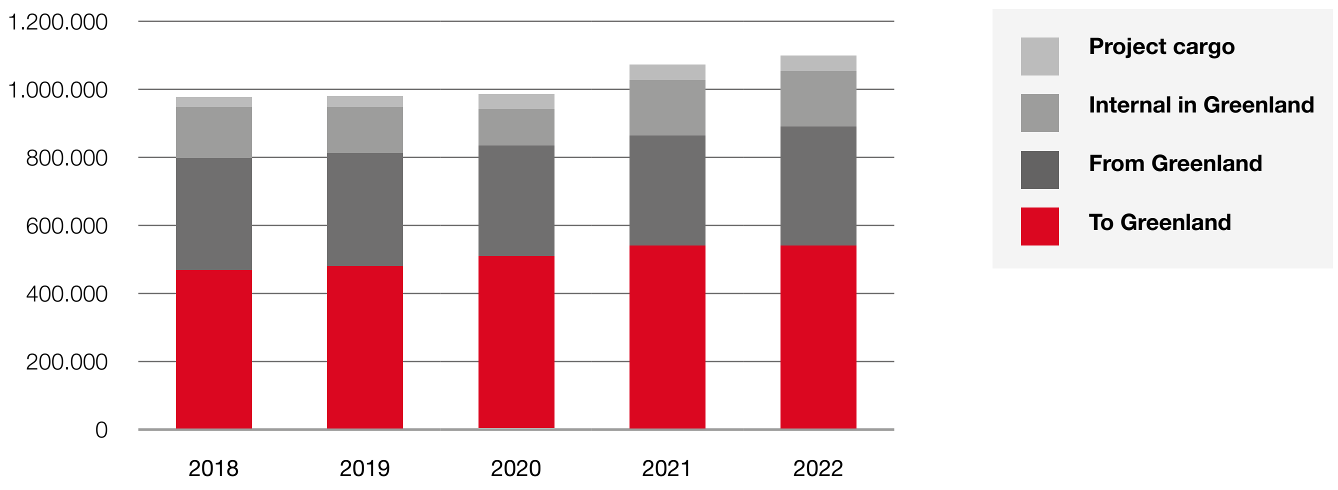
Internal freight was unchanged in freight volume terms during the comparison period.

Project cargo

	CUBIC METRES			Amount		
	2022	2021	Development	2022	2021	Development
1. Northbound	35.355	33.574	5 %	35.355	33.574	5 %
2. Southbound	2.285	2.233	2 %	2.285	2.233	2 %
3. Internal	989	1.354	- 27 %	989	1.354	- 27 %
	38.628	**37.162**	**4 %**	**38.628**	**37.162**	**4 %**

Major ongoing projects (airports, and school construction, etc. in Nuuk) continue to generate a high level of northbound project cargo. However, there was a relatively strong decline by 27 % for internal project cargo in Greenland.

Cargo volumes (kbm)



Profit/loss for the year
Royal Arctic Line's consolidated result for 2022 is a loss before tax of DKK 96.2 million, and of DKK 73.7 million after tax. This is significantly below the result for 2021 of a profit before tax of DKK 4.0 million, and of DKK 2.0 million after tax.

The lower result was expected, since 2022 was a transition year from own terminal operations in the Port of Aalborg to the purchase of terminal services in the Port of Aarhus. A consolidated loss of DKK 56-66 million before tax was expected. The actual result is DKK 30-40 million below the expectations previously announced by the company.

Revenue increased to DKK 1,166 million in 2022, from DKK 1,054 million in 2021. This is an increase totalling DKK 112 million. The increase is primarily due to the charging of bunker adjustment factor/currency adjustment factor of DKK 123 million in 2022, compared with DKK 36 million in 2021. The additional amount charged is set off by the equivalent increase (DKK 87 million) in bunker-related costs. This leaves total revenue growth of DKK 21 million.

In isolated terms for the Royal Arctic Line parent company, the development in concession freight volumes has been modest, contributing just over DKK 5 million. The primary explanation for the revenue growth is related to an increase of DKK 11 million in the revenue from areas outside the concession area, including the sale of surplus capacity on the routes between Iceland and Scandinavia. This growth is the result of a deliberate strategy to increase revenue by selling surplus capacity in the new network.

Accelerated exit led to dual operations
Royal Arctic Line was contractually bound to maintain terminal and workshop operations in the Port of Aalborg and to pay the rent for the terminal, warehouse and office facilities until the end of 2022. As a consequence, in the second half of 2022 the company partly ran dual operations.

The accelerated discontinuation of calls at the Port of Aalborg led to increased freight volumes in the Port of Aarhus. For the Port of Aarhus, costs are correlated with volumes, which is normally an advantage, but since in 2022, as stated, there were still fixed costs associated with the continued operation of the terminal in Aalborg, the terminal and handling costs in Aarhus were an extra cost.

The explanation was that the costs of transport between Aalborg and Aarhus would exceed the additional cost of using the external party.

The additional cost related to larger volumes in the Port of Aarhus, container operation and the actual start-up costs on the transition to external suppliers for, among other things, system adjustments, are estimated to have imposed a total additional cost of DKK 20-25 million, which can solely be attributed to the dual operations. This additional cost is part of the explanation for the increase in the freight-related costs from DKK 34 million in 2021 to DKK 112 million in 2022, and for the increase in container-related costs from DKK 33 million in 2021 to DKK 51 million in 2022.

On the discontinuation of calls at the Port of Aalborg and the lapse of own terminal operations, Royal Arctic Line incurred one-off costs of DKK 30 million for, among other things, severance and retention schemes for employees who were made redundant, as well as various relocation costs on the expiry of the leases at the Port of Aalborg.

The employee schemes helped to ensure an exit from Aalborg without any negative impacts on supply reliability.

In isolated terms for the Royal Arctic Line parent company, the aforementioned cost increases, together with the higher bunker cost of DKK 87 million, are the explanation for most of the growth in external costs from DKK 466 million to DKK 589 million noted in 2022.

The Group's staff costs fell from DKK 427 million in 2021 to DKK 414 million in 2022. This decline is due to the lapse of own terminal operations in Denmark, and staff costs are expected to decrease further in 2023.

The Group's depreciation increased by DKK 15 million. This increase is as expected, as a consequence of the fleet renewal, which has now been completed, so that depreciation is not expected to increase further in the coming years. A technical adjustment whereby the lease payment for cranes in the Port of Nuuk to Sikuki Nuuk Habour A/S has been reclassified as financial leasing, led to an increase in depreciation of approximately DKK 5.2 million.

Financial expenses increased by almost DKK 2 million from 2021. The increase is primarily due to the aforementioned reclassification of crane rental.

It can be stated that the company completed the new fleet's financing in an interest rate environment that up to mid-2022 offered very low interest rates. The hedged average interest rate is therefore 2.2 %, which is significantly below the current level and may contribute to limiting future rate increases.

The management of Royal Arctic Line does not consider the financial result – a loss of DKK 73.7 million after tax – to be satisfactory. However, the management is satisfied that the historical transition from own terminal operations in Denmark to using external suppliers outside Greenland has been completed without jeopardising supplies to Greenland and consumers in Greenland. The last time a transition like this took place was in 1972.

The necessary measures have been taken to ensure that as from 2023, the company's finances will be sustainable, and the result for 2022 is therefore not expected to be repeated.

At the annual general meeting on 15 May 2023, the Board of Directors will propose that no dividend is distributed by Royal Arctic Line. This is recommended on the basis of the result for the year.

Changes in the Board of Directors and Executive Board
At the annual general meeting in 2022, Pâviâraq Heilmann was elected as the new Chairman of the Board. He replaced Ulrik Blidorf, who resigned from the Board. There was an election of employee-elected members in 2022: Eydun Simonsen and Laust Lindskov Vester were re-elected, and Tina Lange Olsen from Aasiaat (now Ilulissat) was elected for the first time.

The other members of the Board of Directors were re-elected. The Board of Directors comprises Paviâraq Heilmann (Chairman), Erik Østergaard (Vice Chairman), Miinannguaq Hilda Zeeb, Erik Sivertsen, Heiðrún Jónsdóttir and Julia Knudsen Olsen, and the aforementioned members elected by the employees.

In the spring of 2022, Peter Christoffersen resigned as CFO. He was succeeded by Jørgen Aqe Møller. The Executive Board comprises Verner Hammeken (CEO), Aviâja Lyberth Lennert (Deputy CEO), Ivalu Kleist (COO), Niels Clemensen (COO), Anders Bay Larsen (Fleet Management), Bebiane Boye Hansen (CHRO) and Jørgen Aqe Møller (CFO).

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.

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 profit margin for Royal Arctic Line in this area. There is no other product and currency hedging in relation to the development in oil prices. Oil price trends are benchmarked in relation to the oil element of the unit price of a leading global container shipping company in 2022.

Until late summer 2022, the oil price was increasing steadily, contributing to a bunker adjustment factor/currency adjustment factor exceeding 30 % for a period. Prices have since declined and stabilised, in view of the market's adjustment to the uncertain new global situation as a consequence of the war in Ukraine, rising interest rates and an initial slowdown in the economy.

Newbuilding programme
The extensive newbuilding programme launched in 2015 was completed in 2022, on the delivery of the last two newbuildings. The vessels Tilioq Arctica and Arpaarti Arctica were put into route service without problems. The launch of the vessels was marked at two successful christening ceremonies in Qasigiannguit and Narsaq during summer 2022.

Going forward, we will continuously adjust our fleet capacity and sailing plan, to make optimal use of the fleet without affecting the supply situation. Since we are also aware that environmental aspects must be taken into consideration, the coming new ship investments will have environmental impacts as a key decision-making parameter, in view of our significant responsibility to ensure a sustainable future. This will be closely coordinated with the other investments in green energy that are made in Greenland.

Corporate Social Responsibility
Sustainability is on the global agenda, and it is necessary to integrate sustainability as a strategic and systematic aspect of the business. Owner, employees, stakeholders and customers expect that tomorrow's companies have a sustainability strategy that lifts and supports the actual business strategy.

Expanded reporting and audits, in line with the financial auditing on the introduction of CSRD, the EU's sustainability directive, from 2024, will also be required.

Since 2012, Royal Arctic Line has had a CSR policy on which the current sustainability strategy is based. The main difference between Royal Arctic Line's CSR policy and the sustainability strategy is that the strategy directly supports the business strategy on a systematic, clearer basis.

Our ambition is full ESG reporting, which we expect to be able to deliver in connection with the reporting for 2024/2025. We seek to ensure that the report includes and shows the process and progress in achieving our ambition to be part of sustainable development, as a shared global challenge.

Our sustainability strategy is based on three principles:

Clear responsibility for climate and environmental impact concerns awareness of and responsibility for the footprint left by our core business operations. The company will be at the forefront with new technological know-how to reduce its environmental footprint.

Responsibility for the whole person relates to how Royal Arctic Line can play a very important role in Greenland's development by actively engaging in supporting opportunities for education and work, and also in supporting families by offering a good and secure workplace that gives employees opportunities for both professional and personal growth.

Responsible management concerns creating a framework for a good and secure workplace, with transparency and credibility as the bearing principles. It is vital to ensure good and effective communication at all stages and to operate a business based on good governance and compliance.

The statutory CSR report, and the report on the gender structure of management levels, see Sections 99a and 99b of the Danish Financial Statements Act, is considered in a separate sustainability report and can be viewed on Royal Arctic Line's website: https://www.royalarcticline.com/downloads.

VISION

"We will connect Greenland to a sustainable tomorrow"
– Royal Arctic Line Sustainability Strategy 2022–2025

MISSION STATEMENT

"We integrate sustainability into the way we work to create development opportunities for the population as a platform for responsible growth, for the benefit of all of Greenland."

STRATEGIC PRINCIPLES

E Clear responsibility for climate & environmental impact
S Responsibility for the whole person
G Responsible governance

STRATEGIC THEMES	Strengthen common culture	Strengthen core performance	Grow the top line
Environmental Clear responsibility for climate & environmental impact		Support new technologies in future investments together with other partners	Optimisation of freight capacity
		Implement CO_2 measurement as the basis of our climate accounts 2023	Better utilisation of freight capacity
Social Responsibility for the whole person	Active responsibility for developing and promoting education in Greenland		
	Support and satisfy the strengthening of family life and development opportunities for the individual in Greenland	Boost educational opportunities	
	Support and strengthen the company's cohesion in an inclusive culture	Promote occupational health and safety	
Governance Responsible governance		Leading HR processes and tools	
		Strategic competence development programmes	
	Delivering what we promise with the right quality	Digitalisation with a focus on information security and cyber security	
	Strengthen governance and further develop company compliance	More direct trade with the rest of the world	Develop partnerships for all parts of our network to optimise earnings
		Lead the way with the new regulatory framework for reporting	

VERSION 1.0 2022

Outlook for 2023

Royal Arctic Line's main activities are based on the shipping of freight to, from and internally within Greenland. Royal Arctic Line has an exclusive right to ship freight to, from and internally within Greenland, so that the level of activity will reflect the country's economic performance and cyclical trends. Royal Arctic Line expects a slightly declining level of economic activity in Greenland in 2023, i.e. slightly below the record year of 2022. Interest rate increases and inflation are expected to reduce the propensity to invest, as well as private investors' purchasing power. This is expected to have a negative impact on freight volumes, with a 2 % drop in import volumes. This constitutes a moderate decrease, since we expect a sustained high level, buoyed up by ongoing public construction projects, particularly airport projects.

There was a strong increase in revenue from the commercial market between Scandinavia and Iceland in 2022. Growth is expected in 2023, but at a lower pace.

2022 saw a significant deficit due to a period of dual operations, while the company also incurred considerable costs for the discontinuation of operations in the Port of Aalborg. There were also phasing-in costs related to the transition to external suppliers in Aarhus. These are naturally one-off costs that will not recur in 2023.

The re-organisation will also reduce fixed costs significantly, since Royal Arctic Line no longer performs terminal and freight handling services outside Greenland. This cost reduction, together with a rate increase that is expected to enter into force in February 2023, with overall expected additional proceeds of DKK 45 million in 2023, means that the result for 2023 is expected to improve by more than DKK 100 million from the result achieved in 2022.

Due to the global uncertainty, inflation is at the highest level seen in the last 40-50 years. This uncertainty contributes to a significant increase in the company's systemic risk as from 2023.

The company's freight volume forecast and thereby its earnings basis are therefore subject to far greater uncertainty in 2023 than in previous years. The company with therefore monitor the development closely and be ready to take corrective action if freight volumes decline.

The unsystemic risk is reduced considerably, since in previous years it was driven by the newbuilding programmes, the forthcoming discontinuation of own operations in Aalborg, and the implementation of a new financial system. All of these projects have now been completed. The unsystematic risk is therefore assessed to be low in 2023. The focus is therefore switched to addressing the systemic risks.

Interest and repayments on the loans raised to finance the fleet renewal, and savings for future investments, continue to make high demands of the company's bottom line. During 2023 the company will therefore focus on simplifying processes and increasing digitalisation, in order to further reduce costs.

The transition to external suppliers, with payment for the services delivered, makes it possible to use intelligent planning to reduce unit costs. Previously – with own terminal operations – these optimisations did not have a visible fiscal effect. Now, however, internal objectives to reduce unit costs will be set.

Cash flows from operating activities are expected to be positive in 2023. The company is assessed to have adequate financial resources for operations in 2023.

In overall terms, a profit before tax at the level of DKK 1-15 million for the Royal Arctic Line Group is expected.

Financial risks

In 2023, all of the company's loans are either fixed-interest-rate EUR-denominated loans, or loans for which financial instruments are used to hedge currency- and interest rate-related fluctuations (including negative fluctuations).

In addition to the financial risks associated with financing, Royal Arctic Line splits the company's risk profile into systemic risks (macroeconomic risks), and unsystemic risks (risks unique to Royal Arctic Line).

The unsystemic risks are primarily related to the newbuilding progammes, which is standard for all shipping companies, and at the turn of the year, Royal Arctic Line had completed all of its newbuilding programmes.

In 2022, the company took delivery of Arpaarti Arctica and Tilioq Arctica from the Spanish Nodosa yard. 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 Greenland's economy, 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.

Business outside the concession
As described above, the development in freight volumes carried in accordance with the concession depends on the general economic development in Greenland. This means that Royal Arctic Line is vulnerable to even small fluctuations in the freight volumes 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.

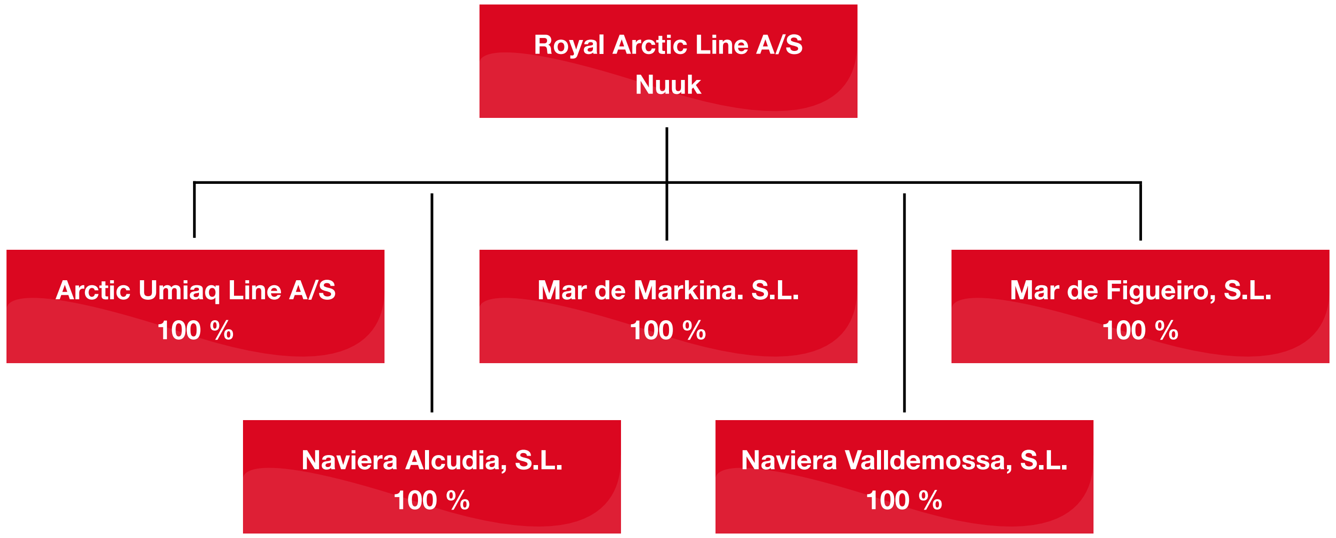
One of these areas concerns the delivery of supplies to research stations in the Antarctic. In 2021/22, Royal Arctic Line achieved an agreement with the Alfred-Wegener-Institute (AWI) on a supply voyage in November-February.

The agreement is an example of how the company seeks to ensure utilisation of available capacity during the winter months in Greenland, thereby strengthening the company's earnings.

With the introduction of the Vessel Sharing Agreement (VSA), as from mid- 2020 the new sailing system has provided Royal Arctic Line with access to service markets outside Greenland on a weekly basis all year round. This concerns markets between Iceland, the Faroe Islands and Scandinavia, and also within Scandinavia. This will also help to compensate for fluctuations in the Greenlandic market. In Greenland, Royal Arctic Line provides logistics services relating to trawler discharge, container stuffing and other activities related to fisheries exports. The company's activities in Denmark in competition with other logistics services providers are changing, in order 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
Naalakkersuisut must annually consider and approve Royal Arctic Line's sailing schedule. It has been decided politically that freight rates (excluding port handling) must be uniform across Greenland. An investment contribution of 3.1 % is added to the freight rates. The contribution is intended, among other things, to finance new tonnage during the 20-year term of the Settlement Services contract with the Government of Greenland. This contribution is a natural aspect of the shipping company's freight charges and freight turnover. The bunker adjustment factor/currency adjustment factor is charged separately, to equalise fluctuations in oil prices and the USD exchange rate, as the currency used to pay for bunker fuel for the ships.

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 of Greenland 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. The company is subject to planned winding-up and the winding-up process commenced during 2022.

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. The company is subject to planned winding-up and the winding-up process commenced during 2022.

Naviera Alcudia, S.L.
Naviera Alcudia, S.L. is wholly owned by Royal Arctic Line A/S. The company was acquired by Royal Arctic Line in 2022 to handle the planned leasing agreement with the parent company of the settlement vessel Tilioq Arctica until the ship's ownership was transferred to Royal Arctic Line.

Naviera Valldemossa, S.L.
Naviera Valldemossa, S.L. is wholly owned by Royal Arctic Line A/S. The company was acquired by Royal Arctic Line in 2022 to handle the planned leasing agreement with the parent company of the settlement vessel Arpaarti Arctica until the ship's ownership was 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.royalarcticline.com

The role of the shareholder and its interaction with company management
The Board of Directors and the Executive Board of Royal Arctic Line support active ownership in close dialogue with the owner's representatives – the Government of Greenland and the Ministry of Housing and Infrastructure. Shareholder meetings are held at which 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 Executive Board. 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.royalarcticline.com

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 financial statements and the preliminary statement of accounts
- Approve the budget for the following year, as well as the forecast presented in connection with the interim accounts
- Ensure that the auditors' reports are presented and are signed
- 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 Boars
- 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. An election of employee representatives on the Board of Directors for a four-year period took place 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 regular annual evaluation relating to its overall skills, potential training requirements, cooperation between the members of the Board of Directors and cooperation with the Executive Board. The evaluation is conducted 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 Board takes place in accordance with the remuneration policy. The remuneration including pension contributions is set out in the annual report and is considered to be consistent with market terms. The contracts of the Executive Board 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, and interim 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 an 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 consideration when electing an auditor. The terms of the auditor's assignments and remuneration are addressed at least once a year at a Board meeting.

Management Statement

The Board of Directors and the Executive Board have on this date considered and approved the annual report for the financial year 1 January - 31 December 2022 for Royal Arctic Line A/S. The annual report is presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies applied to be 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.

Copenhagen, 8 March 2023

Executive Board

Verner Sonny Daugård Hammeken
CEO

Aviâja Lyberth Lennert
Deputy CEO

Jørgen Aqe Møller
CFO

Anders Bay Larsen
Senior Director, Fleet Management

Bebiane Boye Hansen
CHRO, Human Resources

Ivalu Kleist
COO, Operations

Niels Clemensen
CCO, Customer Service & Sales

Board of Directors

Påvîâraq Heilmann
Chairman

Erik Jørgen Østergaard
Deputy chairman

Erik Sivertsen

Heiðrún Jónsdóttir

Julia K. Olsen

Minannguaq Hilda Zeeb

Eydun Simonsen

Laust Lindskov Vestergaard

Tina Lange Olsen

Independent Auditor's Report

To the shareholder of Royal Arctic Line A/S

Opinion
In our opinion, the consolidated and annual accounts give a true and fair view of the Group and company's assets, liabilities and financial position at 31 December 2022, and of the results of the Group and company's activities and the Group's cash flows for the financial year 1 January - 31 December 2022, 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 2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies applied, for both the Group and the company, as well as the consolidated cash flow statement (the "accounts").

Basis for opinion
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 the 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.

- We evaluate the appropriateness of accounting policies applied by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- We conclude whether the management's preparation of the financial statements on the basis of the going concern accounting principle 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 the information in the notes, and whether the financial statements reflect the underlying transactions and events in such a way as to give a true and fair presentation.

- 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.

Hellerup, 8 March 2023

PricewaterhouseCoopers
State-authorised Public Accountants
CVR-nr. 33 77 12 31

Thomas Wraae Holm
State-authorised public accountant
Mne30141

Nuuk, 8 March 2023

Grønlands Revision A/S
State-authorised Public Accountants
CVR-nr. 41 76 26 67

Per Jansen
State-authorised public accountant
Mne21323

Income Statement 2022

	DKK 1.000	Royal Arctic Line A/S		Royal Arctic Group	
		2022	2021	2022	2021
1	Net revenue	1.109.977	1.006.787	1.165.750	1.054.163
2,3	Other operating income	31.078	38.733	14.440	21.958
	Total revenue	1.141.055	1.045.520	1.180.190	1.076.121
4	Cargo-related expenditure	(108.276)	(31.551)	(111.844)	(34.193)
	Gross profit	**1.032.779**	**1.013.969**	**1.068.346**	**1.041.928**
5	Other external expenditure	(588.739)	(466.264)	(610.662)	(485.591)
6	Staff expenditure	(411.156)	(425.568)	(414.195)	(426.871)
7	Amortisation, depreciation and impairment losses of fixed assets	(113.353)	(99.198)	(116.525)	(101.407)
	Total expenses	(1.113.248)	(991.030)	(1.141.382)	(1.013.869)
	Operating profit	**(80.469)**	**22.939**	**(73.036)**	**28.059**
8	Income from investments in Group companies	4.457	3.638	0	0
9	Income from investments in associated companies	166	112	166	112
10	Other financial income	2.912	238	2.915	238
11	Other financial expenditure	(26.094)	(24.238)	(26.251)	(24.395)
	Profit before tax	**(99.028)**	**2.689**	**(96.206)**	**4.014**
12	Tax on profit for the year	25.351	(712)	22.529	(2.037)
13	**Profit/loss for the year**	**(73.677)**	**1.977**	**(73.677)**	**1.977**

Assets as of 31 December

	DKK 1.000	Royal Arctic Line A/S		Royal Arctic Group	
		2022	2021	2022	2021
	Fixed assets				
	Software	9.719	3.573	9.719	3.573
	Development projects	647	6.628	647	6.628
14	**Total intangible assets**	**10.366**	**10.201**	**10.366**	**10.201**
	Ships	1.058.510	941.468	1.063.085	944.385
	Buildings	51.208	45.059	51.208	45.059
	Transport equipment, harbour boats, machinery, and fixtures and fittings	121.267	97.825	121.267	97.825
	Assets under construction	9.976	169.743	9.976	169.743
15	**Total property, plant and equipment**	**1.240.961**	**1.254.095**	**1.245.536**	**1.257.012**
	Current assets				
	Investments in Group companies	26.417	21.960	0	0
	Investments in associated companies	4.820	4.654	4.820	4.654
	Other securities	1.016	1.022	1.016	1.022
16	**Total financial fixed assets**	**32.253**	**27.636**	**5.836**	**5.676**
	Total fixed assets	**1.283.580**	**1.291.932**	**1.261.738**	**1.272.889**
	Operating stock	15.160	8.168	16.283	9.188
	Total inventories	**15.160**	**8.168**	**16.283**	**9.188**
17	Trade receivables	111.132	110.237	111.682	110.666
	Receivables from Group companies	7.498	5.040	0	0
18	Other receivables	47.788	4.594	48.369	4.610
19	Prepayments and accrued income	4.278	5.108	4.687	5.930
	Total receivables	**170.696**	**124.979**	**164.738**	**121.206**
20	**Cash and cash equivalents**	**112.222**	**145.851**	**147.595**	**176.239**
	Total current assets	**298.078**	**278.998**	**328.616**	**306.633**
	Total assets	**1.581.658**	**1.570.930**	**1.590.354**	**1.579.522**

Liabilities as of 31 December

DKK 1.000		Royal Arctic Line A/S 2022	Royal Arctic Line A/S 2021	Royal Arctic Group 2022	Royal Arctic Group 2021
	Equity				
21	Share capital	120.000	120.000	120.000	120.000
	Reserve for net revaluation of investments:				
	- Affiliated companies	21.417	16.960	0	0
	- Associated companies	1.323	1.157	1.323	1.157
	Other statutory reserves:				
	Reserve for development costs	476	4.872	0	0
	Retained earnings	494.408	540.025	516.301	561.857
	Proposed dividend	0	2.550	0	2.550
	Total equity	**637.624**	**685.564**	**637.624**	**685.564**
12	Deferred tax	21.849	38.166	22.865	38.745
	Other provisions	1.755	1.059	1.755	1.059
	Total provisions	**23.604**	**39.225**	**24.620**	**39.804**
	Liability commitments				
	Mortgage debt in ships	604.541	613.474	604.541	613.474
	Mortgage debt	567	567	567	567
	Leasing debt	35.713	1.052	35.713	1.052
22	**Total non-current liabilities**	**640.821**	**615.093**	**640.821**	**615.093**
22	Next year's instalments on non-current liabilities	71.972	61.503	71.972	61.503
	Trade accounts payable	69.504	39.885	67.829	40.473
12	Corporation tax	462	0	2.341	1.859
23	Other payables	127.159	109.173	134.636	114.739
24	Prepayments and accrued income	10.512	20.487	10.512	20.487
	Total current liabilities	**279.609**	**231.048**	**287.290**	**239.061**
	Total liabilities	920.430	846.141	928.111	854.154
	Total liabilities	**1.581.658**	**1.570.930**	**1.590.354**	**1.579.522**

29 Pledges
30 Leasing and rental commitments

Equity Statement

DKK 1.000	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Proposed dividend	Retained earnings	Total equity
Royal Arctic Line A/S						
Equity, 1 January 2022	**120.000**	**18.117**	**4.872**	**2.550**	**540.025**	**685.564**
Profit/loss for the year		4.623	(4.396)	0	(73.904)	(73.677)
Regulation of derivative instruments					28.287	28.287
Dividend paid				(2.550)		(2.550)
Equity, 31 December 2022	**120.000**	**22.740**	**476**	**0**	**494.408**	**637.624**
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**
Royal Arctic Group						
Equity, 1 January 2022	**120.000**	**1.157**	**0**	**2.550**	**561.857**	**685.564**
Profit/loss for the year		166		0	(73.843)	(73.677)
Regulation of derivative instruments					28.287	28.287
Dividend paid				(2.550)		(2.550)
Tax value of dividend					0	0
Equity, 31 December 2022	**120.000**	**1.323**	**0**	**0**	**516.301**	**637.624**
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**

Cash Flow Statement

DKK 1.000		Royal Arctic Line A/S		Royal Arctic Group	
		2022	2021	2022	2021
	Cash flow from operating activities				
	Operating profit	(80.469)	22.939	(73.036)	28.059
	Adjustment of costs of leasing assets	6.471	0	6.471	0
	Amortisation, depreciation and impairment losses	113.353	99.198	116.525	101.407
	Gain/loss on sale of fixed assets	(1.285)	(7.803)	(1.285)	(7.803)
25	Change in working capital	23.685	(55.322)	25.414	(52.777)
	Cash flow from primary operating activities	**61.755**	**59.012**	**74.089**	**68.886**
	Net interest payments	(20.385)	(20.997)	(20.539)	(21.151)
12	Tax paid	(142)	0	(2.507)	(320)
	Cash flow from operating activities	**41.228**	**38.015**	**51.043**	**47.415**
	Cash flow from investing activities				
14,15,26	Investments	(267.330)	(432.087)	(272.160)	(433.003)
	Sale of fixed assets	204.272	328.352	204.272	328.352
	Acquisition and sale of financial fixed assets	6	8	6	8
	Cash flow from investing activities	**(63.052)**	**(103.727)**	**(67.882)**	**(104.643)**
	Cash flow from financing activities				
27	Loans raised for the year	62.722	109.909	62.722	109.909
28	Instalments for the year	(71.977)	(131.624)	(71.977)	(131.624)
13	Dividend paid	(2.550)	(2.500)	(2.550)	(2.500)
	Cash flow from financing activities	**(11.805)**	**(24.215)**	**(11.805)**	**(24.215)**
	Changes in cash and cash equivalents	(33.629)	(89.927)	(28.644)	(81.443)
	Cash and cash equivalents at the start of the year	145.851	235.778	176.239	257.682
	Cash and cash equivalents at year-end	**112.222**	**145.851**	**147.595**	**176.239**
	Distributed as follows:				
20	Cash and cash equivalents	112.222	145.851	147.595	176.239
	Total	**112.222**	**145.851**	**147.595**	**176.239**

Note

	Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
		2022	2021	2022	2021
1	**Net revenue**				
	The Company's income is derived from transport services between Greenland, Canada, Iceland and Denmark, between towns in Greenland, transport to and from port, and from stevedoring services and other related services. Revenue is divided into income from concession sea transport and other, non-concession income.				
	Net revenue includes income from coastal ferry services			55.841	47.443
	Net revenue can be specified as follows:				
	Concession cargo income	916.677	824.812	924.811	824.773
	Non-concession income	193.300	181.975	240.939	229.390
	Total net revenue	**1.109.977**	**1.006.787**	**1.165.750**	**1.054.163**
2	**Special items**				
	For the year, DKK 4 million was received as tenant reimbursement due to delayed delivery of the port expansion in Nuuk in 2017.				
3	**Other operating income**				
	Other operating income includes the Government of Greenland's payment for the service agreement concluded with Royal Arctic Line as port authority. This also includes hiring-out of personnel to Arctic Umiaq Line, rental income from staff accommodation, salary reimbursements, and gains from the sale of fixed assets.				
4	**Cargo-related expenditure**				
	This relates to costs that are directly incurred in order to generate income and primarily relate to costs for transport to and from ports.				
5	**Other external expenditure**				
	Ships	329.436	236.527	344.638	249.409
	Terminals	135.615	151.619	135.620	151.619
	Container operations	51.322	33.279	51.322	33.279
	Sales and administration	42.757	44.839	49.473	51.284
	Other operating costs	29.609	0	29.609	0
	Total other external expenditure	**588.739**	**466.264**	**610.662**	**485.591**
6	**Staff costs**				
	Staff costs can be specified as follows:				
	Wages and salaries	352.272	368.401	354.841	369.395
	Pension contributions	34.306	35.142	34.400	35.184
	Social costs	11.103	13.373	11.370	13.584
	Other staff costs	13.475	8.652	13.584	8.708
	Total staff costs	**411.156**	**425.568**	**414.195**	**426.871**

Note

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	2021	2022	2021
Executive Board				
Remuneration	12.567	6.540	12.567	6.540
Bonus	1.792	937	1.792	937
Board of Directors	1.509	1.509	1.509	1.509
Total remuneration	**15.868**	**8.986**	**15.868**	**8.986**

The Executive Board was increased from three to seven members at 1 January 2022. Four members of the Executive Board reside in their own homes, and three members use staff accommodation. The CEO is bound by a non-competition clause for 12 months after termination of employment, with no remuneration for this. 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, while for the other members of the Executive Board it is six months.

The CCO is appointed for a fixed term until July 2024.

Average number of full-time employees	742	836	745	838
Average number of trainees	42	62	42	62
	784	898	787	900
Number of employees at year-end	740	828	743	830
Number of trainees at year-end	41	64	41	64
	781	892	784	894
Of whom, at the end of the year, Royal Arctic Line A/S had the following employees loaned out to Arctic Umiaq Line A/S.	41	40		

7	**Amortisation, depreciation and impairment losses of tangible and intangible fixed assets**				
	Ships	79.042	66.102	82.214	68.311
	Buildings	6.289	6.298	6.289	6.298
	Transport equipment, harbour boats, machinery, and fixtures and fittings	24.224	19.336	24.224	19.336
	Software	3.798	7.462	3.798	7.462
	Total amortisation, depreciation and impairment losses	**113.353**	**99.198**	**116.525**	**101.407**
8	**Income from investments in Group companies**				
	Arctic Umiaq Line A/S	5.589	3.675		
	Mar de Markina	(191)	(18)		
	Mar de Figueiro	(465)	(19)		
	Naviera Alcudia	(269)	0		
	Naviera Valdemossa	(207)	0		
	Total income from investments in Group companies	**4.457**	**3.638**		
9	**Income from investments in associated companies**				
	Ejendomsselskabet Suliffik A/S	166	112	166	112
	Total income from investments in associated companies	**166**	**112**	**166**	**112**
10	**Financial income**				
	Unrealised currency exchange rate gains concerning long-term liabilities	259	0	259	0
	Other financial income	2.653	238	2.656	238
	Total financial income	**2.912**	**238**	**2.915**	**238**

Note

	Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
		2022	2021	2022	2021
11	**Other financial expenditure**				
	Unrealised currency exchange rate losses concerning long-term liabilities	687	189	687	189
	Other financial expenditure	25.407	24.049	25.564	24.206
	Total financial expenditure	**26.094**	**24.238**	**26.251**	**24.395**
	In addition, financial costs for building new ships is factored into the balance sheet	23.014	22.714	23.014	22.714
12	**Tax on profit for the year**				
	Tax on profit for the financial year consists of:				
	Royal Arctic Line A/S				
	Current tax, Greenland	(462)	(1.338)	(3.284)	(3.197)
	Deferred tax, Greenland	24.990	626	24.990	1.160
	Adjustment of corporation tax rate	899	0	899	0
	Adjustment re. previous years, Greenland	(76)	0	(76)	0
	Group companies				
	Current tax, Greenland	0	0	0	0
	Tax on profit for the financial year	**25.351**	**(712)**	**22.529**	**(2.037)**
	Income tax	(142)	0	(2.507)	(320)
	Total tax paid	**(142)**	**0**	**(2.507)**	**(320)**
	The provision for deferred tax is mainly due to accelerated depreciation for tax purposes and is composed as follows:				
	Provisions at beginning of year	38.166	35.852	38.745	36.965
	Adjustment re: equity	9.638	2.940	9.638	2.940
	Change during the year	(25.955)	(626)	(25.518)	(1.160)
	Provisions at year-end	**21.849**	**38.166**	**22.865**	**38.745**
	Deferred tax is based on the following items:				
	Tangible fixed assets	25.451	37.645	26.467	38.224
	Financial fixed assets	5.688	4.804	5.688	310
	Current assets	2.239	1.474	2.239	1.474
	Long-term liabilities	(8.849)	(544)	(8.849)	(544)
	Current liabilities	(2.241)	(4.932)	(2.241)	(4.932)
	Other	(439)	(281)	(439)	4.213
	Total	**21.849**	**38.166**	**22.865**	**38.745**
13	**Proposed distribution of profit**				
	Proposed dividend for the financial year	0	2.550		
	Transferred to reserve for net revaluation of investments	4.623	3.750		
	Reserve for development costs	(4.396)	4.872		
	Carried forward to next year	(73.904)	(9.195)		
	Total	**(73.677)**	**1.977**		

Note

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	**2021**	**2022**	**2021**
14 Intangible assets				
Software				
Cost price				
Cost at beginning of year	50.202	51.110	50.202	51.110
Additions during the year	0	1.311	0	1.311
Disposals during the year	(5.711)	(2.884)	(5.711)	(2.884)
Transfers	9.944	665	9.944	665
Cost at year-end	**54.435**	**50.202**	**54.435**	**50.202**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	46.629	42.051	46.629	42.051
Depreciation for the year	3.798	7.462	3.798	7.462
Amortisation, depreciation and impairment losses of disposals for the year	(5.711)	(2.884)	(5.711)	(2.884)
Amortisation, depreciation and impairment losses at year-end	**44.716**	**46.629**	**44.716**	**46.629**
Book value at year-end	**9.719**	**3.573**	**9.719**	**3.573**
Development projects				
Cost price				
Cost at beginning of year	6.628	0	6.628	0
Additions during the year	3.963	6.464	3.963	6.464
Disposals during the year	0	0	0	0
Transfers	(9.944)	164	(9.944)	164
Cost at year-end	**647**	**6.628**	**647**	**6.628**
Total intangible fixed assets	**10.366**	**10.201**	**10.366**	**10.201**
15 Property, plant and equipment				
Ships				
Cost price				
Cost at beginning of year	1.418.826	1.151.626	1.434.848	1.166.732
Addition of leased ships	180.405	292.397	180.405	292.397
Additions during the year	0	9.650	4.830	10.566
Adjustment re: previous years	0	(5.659)	0	(5.659)
Disposals during the year	(24.296)	(29.188)	(32.262)	(29.188)
Transfers	15.928	0	15.928	0
Cost at year-end	**1.590.863**	**1.418.826**	**1.603.749**	**1.434.848**

Note

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	**2021**	**2022**	**2021**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	477.358	439.387	490.460	450.280
Depreciation for the year	79.042	66.102	82.214	68.311
Amortisation, depreciation and impairment losses of disposals for the year	(24.046)	(28.131)	(32.009)	(28.131)
Amortisation, depreciation and impairment losses at year-end	**532.354**	**477.358**	**540.665**	**490.460**
Book value at year-end	**1.058.510**	**941.468**	**1.063.085**	**944.385**
Buildings				
Cost price				
Cost at beginning of year	166.096	171.893	166.096	171.893
Additions during the year	0	185	0	185
Disposals during the year	(8.206)	(5.982)	(8.206)	(5.982)
Transfers	12.749	0	12.749	0
Cost at year-end	**170.639**	**166.096**	**170.639**	**166.096**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	121.037	118.170	121.037	118.170
Depreciation for the year	6.289	6.298	6.289	6.298
Amortisation, depreciation and impairment losses of disposals for the year	(7.895)	(3.431)	(7.895)	(3.431)
Amortisation, depreciation and impairment losses at year-end	**119.431**	**121.037**	**119.431**	**121.037**
Book value at year-end	**51.208**	**45.059**	**51.208**	**45.059**
Transport equipment, harbour boats, machinery, and fixtures and fittings				
Cost price				
Cost at beginning of year	397.317	400.535	397.317	400.535
Additions during the year	493	14.916	493	14.916
Disposals during the year	(33.315)	(20.982)	(33.315)	(20.982)
Transfers	47.933	2.848	47.933	2.848
Cost at year-end	**412.428**	**397.317**	**412.428**	**397.317**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	299.492	300.956	299.492	300.956
Depreciation for the year	24.224	19.336	24.224	19.336
Amortisation, depreciation and impairment losses on disposals for the year	(32.555)	(20.800)	(32.555)	(20.800)
Amortisation, depreciation and impairment losses at year-end	**291.161**	**299.492**	**291.161**	**299.492**
Book value at year-end	**121.267**	**97.825**	**121.267**	**97.825**
Of which financial leased assets	36.589	2.479	36.589	2.479

Note

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	2021	2022	2021
Assets under construction - ships				
Cost price				
Cost at beginning of year	164.761	396.720	164.761	396.720
Additions during the year	61.541	108.276	61.541	108.276
Disposals during the year	(201.666)	(340.235)	(201.666)	(340.235)
Transfers	(15.927)	0	(15.927)	
Book value at year-end	**8.709**	**164.761**	**8.709**	**164.761**
Including financial costs of	0	6.304	0	6.304
Assets under construction - buildings				
Cost price				
Cost at beginning of year	1.112	0	1.112	0
Additions during the year	12.222	1.112	12.222	1.112
Disposals during the year	0	0	0	0
Transfers	(12.749)	0	(12.749)	0
Book value at year-end	**585**	**1.112**	**585**	**1.112**
Assets under construction - transport equipment, harbour boats, machinery, and fixtures and fittings				
Cost price				
Cost at beginning of year	3.870	4.112	3.870	4.112
Additions during the year	44.741	3.435	44.741	3.435
Disposals during the year	0	0	0	0
Transfer to other items	(47.929)	(3.677)	(47.929)	(3.677)
Book value at year-end	**682**	**3.870**	**682**	**3.870**
Total assets under construction	**9.976**	**169.743**	**9.976**	**169.743**
Total tangible fixed assets	**1.240.960**	**1.254.095**	**1.245.535**	**1.257.012**
Charged assets, see Note 27				

16 Financial fixed assets
Investments in Group companies

Cost price		
Cost at beginning of year	5.000	5.000
Additions during the year	0	0
Disposals during the year	0	0
Cost at year-end	**5.000**	**5.000**
Revaluations and impairment losses		
Revaluations and impairment losses at beginning of year	16.960	13.322
Disposals during the year	0	0
Other adjustment	0	0
Share in profit for the year	4.457	3.638
Dividend paid	0	0
Revaluations and impairment losses at year-end	**21.417**	**16.960**
Book value at year-end	**26.417**	**21.960**

Note

Name	Domicile	Company capital (1,000)	Share of votes and ownership	Equity (2021)	Profit for the year (2021)
Arctic Umiaq Line A/S	Nuuk, Greenland	2.000	100 %	21.997	3.675
Mar de Markina, S.L.	Santa Cruz de Tenerife, Spain	EUR 101	100 %	EUR -192	EUR -192
Mar de Figueiro, S.L.	Santa Cruz de Tenerife, Spain	EUR 101	100 %	EUR -256	EUR -256
Naviera Alcudia S.L.	Madrid, Spain	EUR 3	100 %	0	0
Naviera Valdemossa S.L.	Palma de Mallorca, Spain	EUR 3	100 %	0	0

The Spanish companies' annual reports are not audited

Investments in associated companies				
Cost price				
Cost 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 at year-end	**3.497**	**3.497**	**3.497**	**3.497**
Revaluations and impairment losses				
Revaluations and impairment losses at beginning of year	1.157	1.045	1.157	1.045
Share in profit for the year	166	112	166	112
Dividend paid	0	0	0	0
Revaluations and impairment losses at year-end	**1.323**	**1.157**	**1.323**	**1.157**
Book value at year-end	**4.820**	**4.654**	**4.820**	**4.654**
Ejendomsselskabet Suliffik A/S	4.820	4.654	4.820	4.654

Name	Domicile	Share capital	Share of votes and ownership	Equity (2021)	Profit for the year (2021)
Ejendomsselskabet Suliffik A/S	Nuuk, Greenland	11.000	30 %	16.077	555

Securities				
Cost price				
Cost at beginning of year	1.022	1.030	1.022	1.030
Additions during the year	0	0	0	0
Disposals during the year	(6)	(8)	(6)	(8)
Cost at year-end	**1.016**	**1.022**	**1.016**	**1.022**
Book value at year-end	**1.016**	**1.022**	**1.016**	**1.022**
Total financial fixed assets	**32.253**	**27.636**	**5.836**	**5.676**

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	2021	2022	2021

17 Trade receivables

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

18 Financial instruments

One currency swap has been entered into with the purpose of hedging a EUR-denominated loan (with a principal of EUR 20.8 million) in relation to DKK and two interest-rate swaps to lock the interest rate on two DKK-denominated loans (principal of DKK 229.7 million). The market value of the hedging instruments at 31 December was DKK 27.5 million and they are entered into with Jyske Bank, with expiry in 2032 and 2035, respectively. The total market value is continuously adjusted for the impact of own credit rating on the market value. No adjustment has been made in the current financial year, as the market value is positive in the company's favour and the counterparty risk for Jyske Bank is assessed to be at an acceptable low level.

19 Prepayments and accrued income

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

20 Cash/bank debt

	2022	2021	2022	2021
Amount in USD	256	171	256	171
Amount in EUR	1.787	1.224	1.787	1.224
Calculated at the closing rate, this will give DKK	15.072	10.228	15.072	10.228

21 Share capital

The share capital is not divided into share classes.
Share capital consists of one DKK 80 million share and one DKK 40 million share.
The share capital has not changed in the last five years.

22 Long-term liabilities

Non-current liabilities are payable as follows:

	2022	2021	2022	2021
Current portion of collateral debt in ships	65.413	60.503	65.413	60.503
Current portion of mortgage debt	0	0	0	0
Current portion of leasing debt	6.559	1.000	6.559	1.000
Total current portion	**71.972**	**61.503**	**71.972**	**61.503**
Total non-current portion	**640.821**	**615.093**	**640.821**	**615.093**
Total book value	**712.793**	**676.596**	**712.793**	**676.596**
Payable after more than five years (amortised cost)				
Mortgage debt in ships	431.315	436.419	431.315	436.419
Leasing debt	8.155	0	8.155	0
Mortgage debt	567	567	567	567
Total amortised cost	**440.037**	**436.986**	**440.037**	**436.986**

Noter

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	2021	2022	2021

23 Other payables

	2022	2021	2022	2021
Payables relating to wages and rent	76.554	83.515	80.820	86.904
Financial instruments	0	10.459	0	10.459
Payable costs	50.605	15.199	53.816	17.376
Total other payables	**127.159**	**109.173**	**134.636**	**114.739**

24 Prepayments and accrued income

Prepayments and accrued income recognised under liabilities primarily comprise pre-invoiced revenue, where the consignment note's estimated time of arrival is in the subsequent financial year.

25 Change in working capital

	2022	2021	2022	2021
Increase/decrease in receivables	(45.717)	(28.236)	(43.532)	(24.970)
Increase/decrease in operating stocks	(6.992)	(938)	(7.095)	(1.217)
Increase/decrease in warranty commitments	696	(3.015)	696	(3.015)
Increase/decrease in trade payables	29.619	(11.998)	27.356	(12.893)
Value adjustments relating to financial instruments	37.925	11.095	37.925	11.095
Increase/decrease in other payables, etc.	8.154	(22.230)	10.065	(21.777)
Total change in working capital	**23.685**	**(55.322)**	**25.414**	**(52.777)**

26 Investments

	2022	2021	2022	2021
Investments in intangible assets	3.963	7.775	3.963	7.775
Investments in ships	180.405	296.388	185.234	297.304
Investments in buildings	0	185	0	185
Investments in other fixed assets	493	14.916	493	14.916
Change in assets under construction	82.470	112.823	82.470	112.823
Total investments	**267.330**	**432.087**	**272.160**	**433.003**

27 Loans raised during the year

	2022	2021	2022	2021
Loans raised, collateral in ships	61.703	107.067	61.703	107.067
Loans raised, leasing	1.019	2.842	1.019	2.842
Total borrowing for the year	**62.722**	**109.909**	**62.722**	**109.909**

28 Instalments for the year

	2022	2021	2022	2021
Instalments for the year, collateral debt in ships	65.425	51.856	65.425	51.856
Instalments for the year, mortgage debt	0	567	0	567
Instalments for the year, leasing	6.552	79.201	6.552	79.201
Total instalments for the year	**71.977**	**131.624**	**71.977**	**131.624**

29 Charged assets and collateral

	2022	2021	2022	2021
Nominal value, collateral debt in ships:	1.507.036	1.512.752	1.507.036	1.512.752
Carrying amount, collateral debt in ships:	1.024.074	906.802	1.024.074	906.802
Mortgage debt is secured by properties				
Nominal value of the mortgages:	30.567	30.567	30.567	30.567
Carrying amount of the mortgaged properties:	38.293	22.990	38.293	22.990

Note

Unless otherwise stated, the amount is stated in DKK 1,000.	Royal Arctic Line A/S		Royal Arctic Group	
	2022	2021	2022	2021

30 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 2025 and a total payment of USD 3.31 million, equivalent to TDKK 23,418: of which USD 2.28 million, equivalent to TDKK 16,139, falls due in 2023.	23.418	26.057	23.418	26.057
Obligations under rental agreements until expiry in 2023:	9.555	29.946	9.555	29.946
Obligations under rental agreements until expiry in 2024:	1.508	0	1.508	0
Obligations under rental agreements until expiry in 2025:	1.538	0	1.538	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 43.65 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. Part of the agreement is recognised as a financial leasing agreement, as specified below:

Rental of cranes from Sikuki with expiry in 2029 and a total pay-ment of DKK 33.57 million, of which TDKK 5,165 falls due in 2023.	33.575	0	33.575	0
Leasing obligations:	18.681	36.406	257	472
Royal Arctic Line A/S has provided a rent payment guarantee of:	6.200	6.200	6.200	6.200

31 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	1.150	1.227	1.227
Other services	787	705	787	705
Total	**1.937**	**1.855**	**2.014**	**1.932**

32 Related parties

Related parties are members of the company's Board of Directors and 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, Mar de Figueiro, Naviera Alcudia Greenland and Naviera Valldemossa Greenland, and the associated company Suliffik A/S.

Significant transactions with the company's owner, the Government of Greenland, are based on the concession agreement between the company and the Government of Greenland, which has granted Royal Arctic Line A/S an exclusive concession for all sea transport of freight 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 of Greenland's port facilities and serving in the function of local port authority (service agreement fee of TDKK 3,250)
- Cargo transport for Qaanaaq (service agreement fee of TDKK 895)
- Cargo service to settlements in Greenland (service agreement fee of TDKK 61,650).
  Transactions carried out with the Executive Board and the Board of Directors consist of fees, cf. Note 6.

No other significant transactions have taken place besides intra-Group transactions, which are eliminated in the accounts. All transactions with related parties have been conducted on competitive market terms.

33 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.

Note

34 Executive functions

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

Pâviâraq Heilmann
Executive Director of Ejendomsselskabet Organisationernes Hus P/S
Chairman of the Board of Grønlands Ski Forbundet

Erik Jørgen Østergaard
CEO, Executive Director of 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 Museet for Søfart
Chairman of the Board of Nordic Logistics Association
Member of the Board of Red Funnel Ltd.
Board Member of IRU

Erik Sivertsen
CEO of Halibut Greenland ApS
Executive Director of Uummannaq Seafood A/S
Chairman of the Board of North Atlantic Seafood A/S

Minannguaq Zeeb
Customer Manager, INI A/S

Julia Knudsen Olsen
Consultancy Anua, head consultant & owner
Chairman of the Board, Global Dignity Kalaallit Nunaatt

Heiðrún Jónsdóttir
CEO of Finance Iceland sff.is

Ivalu Kleist
Member of the Board of Sikuki

Niels Clemensen
Member of the Board of Arctic Umiaq Line

Anders Bay Larsen
Board, Arctic Umiaq Line
Branch manager, Marde Markina Greenland
Branch manager, Mar de Figueiro Greenland
Branch manager, Naviera Alcudia Greenland
Branch manager, Naviera Valldemossa 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
Board Member of "Danish-Chinese Business Forum".

Aviâja Lyberth Lennert
Board Member of Ejendomsselskabet Suliffik A/S

Jørgen Aqe Møller
Board Member of Illuut A/S
Active ApS, owner
iHedge A/S, Board Member
Q-planning ApS, owner

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 2022, 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.

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 26. 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
In 2021, Royal Arctic Line A/S took delivery of two ships. A sale-and-lease back agreement was subsequently made with two Spanish-founded companies (Mar de Markina, S.L. and Mar de Figueiro, S.L.). In 2022, Royal Arctic Line A/S took delivery of a further two ships. A sale-and-lease back agreement was also entered into with two Spanish-founded companies, Naviera Alcudia S.L. and Naviera Valdemossa S.L. The Spanish companies are 100 % 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 25 %. 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.

Editor in Chief: Jørgen Aqe Møller
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