ANNUAL REPORT

ROYAL ARCTIC

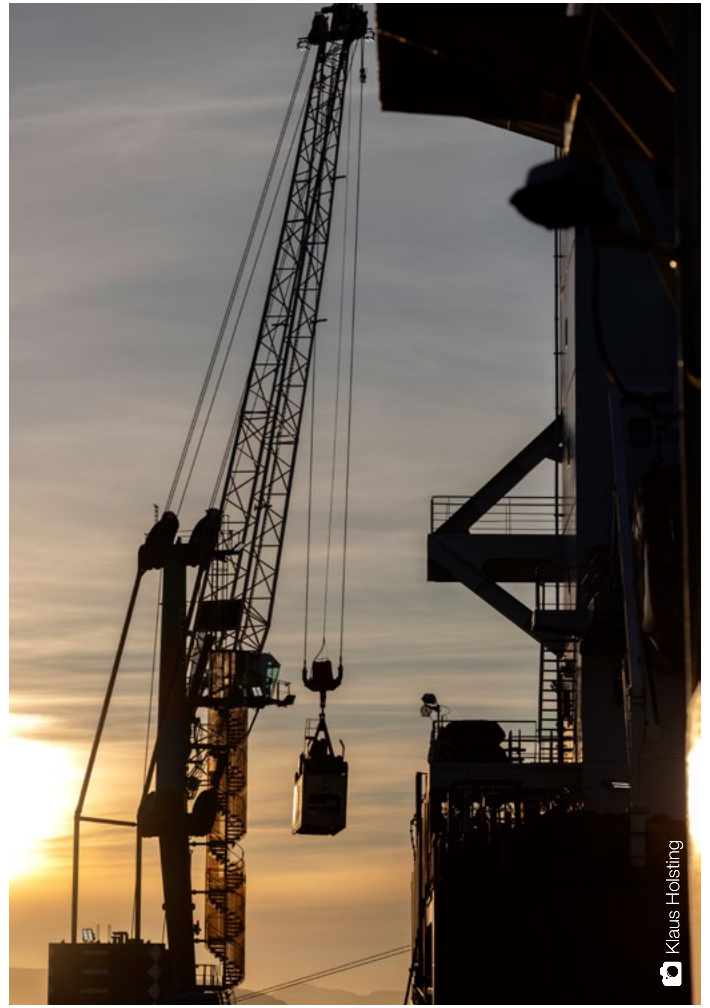
2023

(CVR. NR. 16545538)

Cover photo Klaus Holsting

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	Påviåraq Heilmann, Chairman Erik Jørgen Østergaard, Vice Chairman Barbara Agersnap Erik Sivertsen 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	Niels Clemensen, CEO Aviâja Lyberth Lennert, Deputy CEO Anders Bay Larsen, Head of Fleet Management Bebiane Boye Hansen, CHRO Ivalu Kleist, COO, COO Jørgen Aqe Møller, CFO
Auditors	Grønlands Revision A/S and 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

The company is wholly owned by the Government of Greenland and is thereby owned by the people of Greenland. The shipping company serves as an essential lifeline for Greenland.

The Government of Greenland has granted Royal Arctic Line A/S an exclusive concession for all sea transport of freight to, from and within Greenland. This exclusive right entails a legal obligation to ensure the supply of goods to Greenland. The terms and conditions concerning frequency of port calls, capacity and security of supply are stipulated in the concession.

The concession applies to cargo such as

- Food
- Export products (fish and shellfish)
- 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

Port terminals and ports of call in Greenland

- Operating 13 port terminals
- With 65 ports of call (settlements and towns)
- Calling at 2 mines

Ports of call outside Greenland

- Aarhus
- Helsingborg
- Thorshavn
- Reykjavík
- Reydarfjördur

Vessels and passenger ship

- 10 cargo ships
- 1 passenger ship

Education and workforce

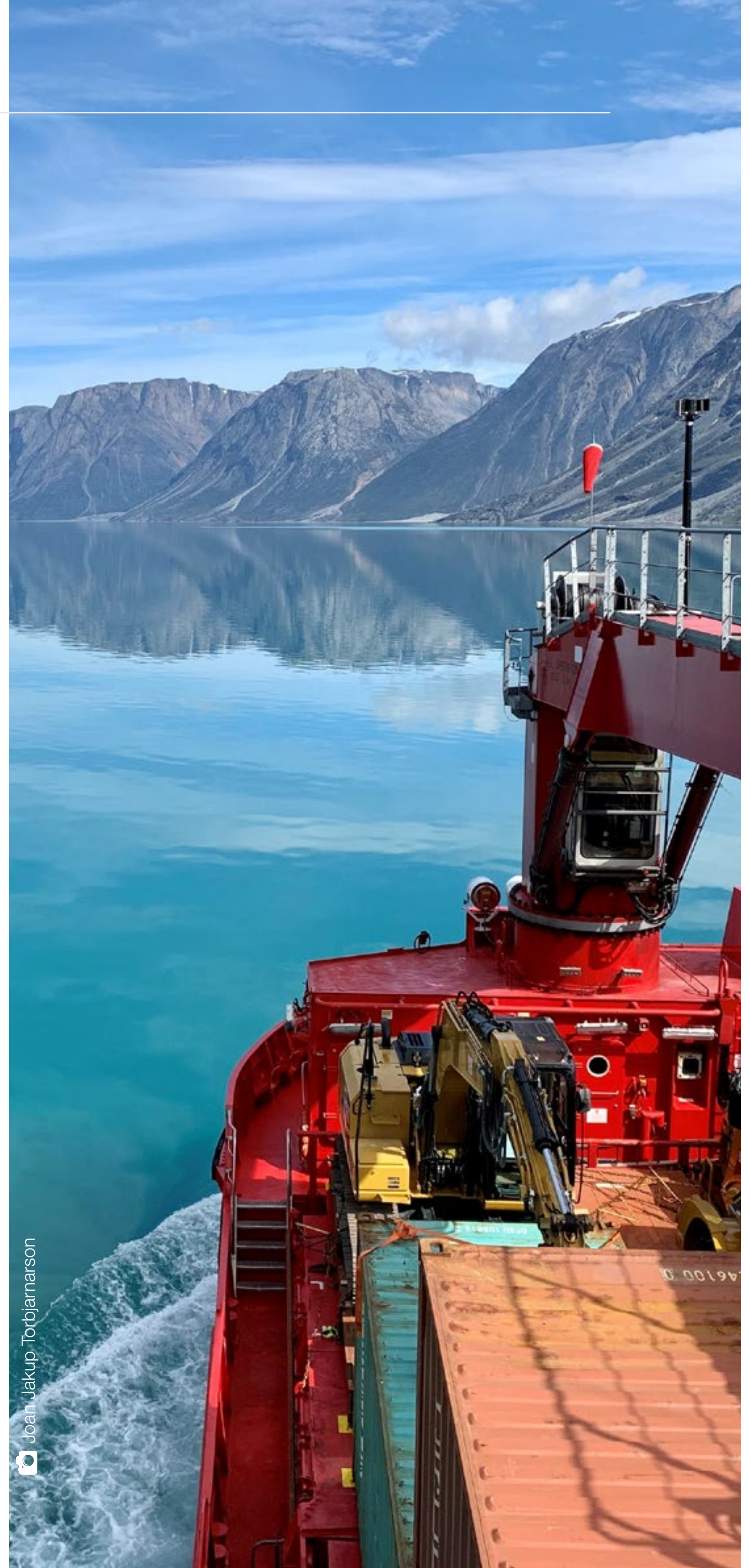
- 742 Employees (FtE)
- 51 trainees (included in FtE)

Stakeholder engagement

- The population of Greenland
- The company's sole shareholder
- Employees
- Customer relations (private and business customers)
- Business partners
- Suppliers
- Banks
- Local communities

The company's ships and ports comply with the International Ship and Port Facility Security Code (ISPS).

The passenger ship, *Sarfaq Ittuk*, is owned by Arctic Umiaq Line A/S, which is a subsidiary wholly owned by Royal Arctic Line A/S.



Joan Jakup Torbjarnason

Group financial highlights

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

Income statement	**2023**	**2022**	**2021**	**2020**	**2019**
Net revenue	1.190	1.166	1.054	979	904
Total revenue	1.225	1.181	1.076	992	970
Operating profit	24	(73)	28	14	35
Net financials	(20)	(23)	(24)	(11)	(8)
Profit for the year before tax	4	(96)	4	2	27
Profit/loss for the year	3	(74)	2	2	25
Dividend	0	0	3	3	3
Balance sheet					
Balance sheet total	1.483	1.590	1.580	1.647	1.287
Investment in intangible fixed assets and property, plant, and equipment	70	272	433	413	170
Net working capital	44	41	68	111	137
Long-term liabilities	576	641	615	663	353
Equity	632	638	686	682	688
Cash flow statement					
Cash flow from operating activities	71	46	47	108	145
Cash flow from investing activities	(6)	(68)	(105)	(405)	(169)
Cash flow from financing activities	(64)	(7)	(24)	337	63
Changes in cash and cash equivalents	1	(29)	(81)	40	39
Cash at year-end	148	148	176	258	218
Key ratios *					
Profit margin (%)	2,1 %	(6,3) %	2,7 %	1,4 %	3,9 %
Return on capital (%)	1,7 %	(4,6) %	1,8 %	0,8 %	2,8 %
Return on equity (ROE)	0,5 %	(11,1) %	0,3 %	0,2 %	3,7 %
Solvency ratio (%)	42,5 %	40,1 %	43,4 %	41,4 %	53,4 %
Return on invested capital (ROIC)	2,0 %	(5,7) %	2,2 %	1,2 %	3,9 %
Leverage of operating assets	1,9	2,0	1,9	1,9	1,4
Average number of full-time employees	742	787	900	794	759
Pre-tax profit per employee (DKK 1,000)	6	(122)	5	3	36
Net revenue per employee	1,60	1,48	1,17	1,23	1,19

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

Definitions of key ratios

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	=	Capital invested incl. goodwill Equity at year-end

Foreword

2023 was the first full financial year following the implementation of the strategy launched in 2015. The framework conditions have now been established to open up Greenland to the international community, and the coming years will show whether the people of Greenland and the wider world will take advantage of the new opportunities presented by this network. At Royal Arctic Line, our attention will now shift inwards as we focus on further enhancing our performance for the benefit of our customers and owners, in the pursuit of a sustainable future.

Sustainability is expected to be a key focus in the years to come. This refers to environmental sustainability, which will be closely linked with the establishment of a sustainable and resilient financial basis for the company. A dual focus is imperative for our company to fulfil its primary obligation: to ensure supplies to, from and within Greenland with a service that is proportional to the cost to the individual. This is a challenging task, and there is no single solution that will satisfy everyone. Ongoing dialogue and engagement are needed to enable collaborative decision-making on the company's future direction. This process starts now. In 2024, the company will embark on its strategy for the future Royal Arctic Line. This calls for change and a fresh outlook, so that the Board of Directors looks forward to collaborating with the new CEO of Royal Arctic Line. In the meantime, we have a lot to focus on. Since the end of 2022, we have concentrated on improving our core performance. The company's asset base and business areas have undergone continuous evaluation to ensure that the company is "fit" to fulfil the obligations associated with holding the concession for sea freight to, from and within Greenland.

The financial result for 2023, whereby the deficit has been eliminated, indicates that the company is on the right path. Around half of the improvement stems from rate increases, while the remainder was generated through proactive measures implemented by the company. We implemented rate increases as of 1 January. Given their binding nature, in 2024 decisions will be taken to ensure their integration with broader strategies.

Each and every day, the dedicated employees of Royal Arctic Line do their utmost to provide a service for all the people of Greenland. Everyone at Royal Arctic Line is keen to contribute. This is an integral aspect of our shared culture. We understand that failing to fulfil our responsibilities effectively directly impacts operations in stores, at construction sites, and for the export industries – they all count on us to deliver exceptional performance. By the same token, the improvements we make also have a positive impact, so we are constantly working to optimise our processes in order to achieve the highest level of performance.

In contrast to 2023, when the outlook for the global economy appeared bleak, 2024 began with the expectation that the most severe risks of a sharp downturn in economic activity had subsided. Interest rate levels had stabilised, growth in energy prices was braked, and inflation had been brought under control. Nonetheless, there has been a slowdown, leading the Greenland Economic Council to revise its expectations downwards concerning economic activity in Greenland for 2024. A decline in economic activity, partly due to reduced quotas in the fishing industry, will also impact the volumes of goods transported by Royal Arctic Line to and from Greenland.

Fortunately, we can see that the strategic timing of the fleet renewal and the associated financing is yielding tangible returns for the company, as interest costs are held at an unchanged level.

In the autumn of 2023, *Naalakkersuisut* (the Government of Greenland) demonstrated their confidence in the company by establishing a framework agreement for how the company can regulate freight rates going forward. The agreement not only ensures stable working conditions, but also a reasonable expectation that Royal Arctic Line will deliver a higher degree of predictability and related dialogue. The initial step was taken in 2023, when in dialogue with stakeholders adjustments were made to the initially proposed master schedule. The objective was to improve regularity (predictability), while also accommodating requests to bring forward arrival times in Nuuk and enhance services to peripheral areas.

We are ready.

Pâviâraq Heilmann
Chairman of the
Board of Directors

Niels Clemensen
CEO

Jens Andersen

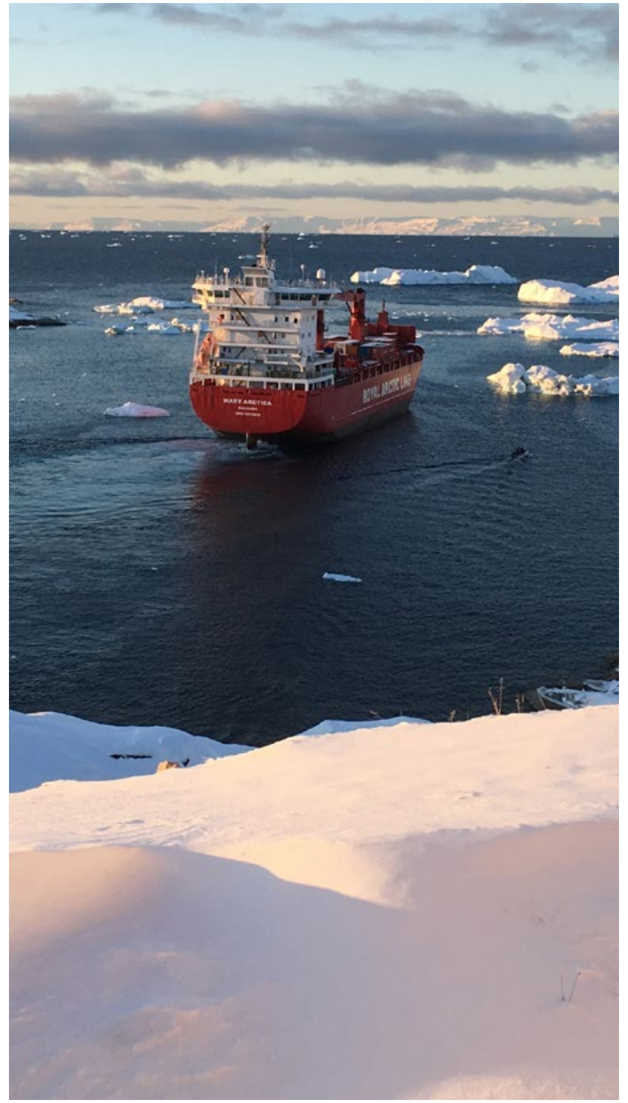
Management Report

The beginning of 2023 saw the first rate increase since 2015. This was necessary to ensure a sustainable financial basis for the company. The northbound and internal rates were left unchanged, which helped to prevent inflation in Greenland from reaching the high levels seen globally. The burden of the entire rate increase fell on the export industries, known as the "broad shoulders". There is now a more equitable balance between northbound and southbound rates than before, although southbound are still approximately 50 % of northbound rates.

Capacity utilisation

During the spring, Royal Arctic Line opted to sell *Mary Arctica* without relinquishing the ship during the high season. The ship is currently included in the chartered schedule as *Silver Mary*, helping to safeguard adequate capacity to ensure supply. During low season, the company avoids owning a ship that might potentially remain idle. The sale thereby overall enhanced the company's capital utilisation, reducing overall expenses.

During this period, the company conducted a review of its business areas and concluded that the freight forwarding business, which is not integral to the concession obligation and the company's core service, did not sufficiently contribute to its operations. Consequently, the business area was divested. Throughout the sales process, the welfare of the employees concerned was a high priority. Positive dialogue with the new owner led to an arrangement that ensured no employees were adversely impacted by the divestment. This change has led to a streamlining of administrative processes in the finance area, for example, and has subsequently facilitated cost reductions.



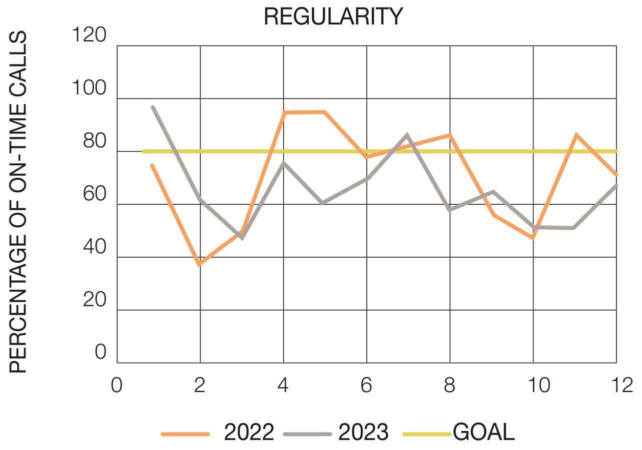
Improving core performance

In the summer of 2023, the company launched its first major RPA (robotic process automation) project. This project has accelerated the delivery of booking confirmations while ensuring a higher level of consistent quality in the booking process. As a result, the company has enhanced the customer experience by enabling customer service agents to allocate more time to the more complex bookings.

Throughout the autumn, the technology was applied to several smaller projects, including within the finance function. It is expected that the benefits of these initiatives will be realised in 2024, as the projects are integrated and data quality is continuously enhanced.

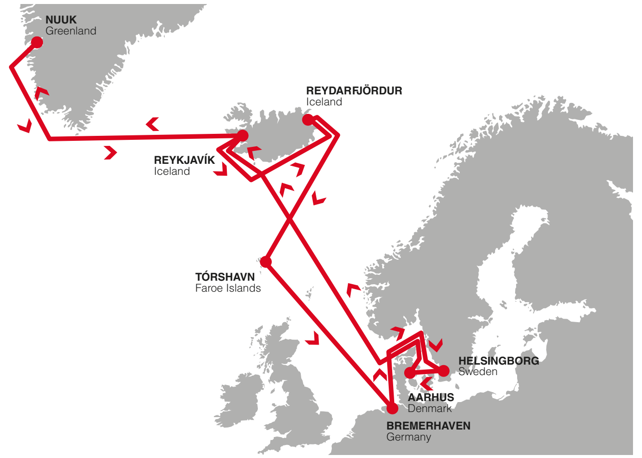
First full year in the new network

2023 marked the first full year of operation of the new network, the new ports and the discontinuation of own operations outside Greenland. This has been a learning process, with both positive and negative experiences. Operationally, the transformation progressed with few problems, and collaboration with the new suppliers outside Greenland ran well. However, concerning the regularity of arrivals in Nuuk, it was found that expectations were not fulfilled. Regularity in 2023 did not reach the required level, prompting the company to launch investigations during the summer aimed at modifying the schedule, with improved regularity as one of the sub-goals.



The lack of regularity not only affects customers, but also results in increased costs, such as overtime at terminals in Greenland and higher bunker consumption when attempting to compensate for delays.

It is expected that the revised schedule will improve regularity.



Constructive dialogue

When the company's stakeholders were informed of the proposed changes, this prompted constructive suggestions from the local community. Notably, there was a strong desire for earlier arrivals in Nuuk. During the autumn, the company therefore engaged in negotiations to modify the schedule, to bring forward the arrival time at Nuuk, once the schedule takes effect (March 2024). As part of the change to the schedule, Thorshavn will no longer be included in the northbound route, and one of the two calls in Aarhus will be discontinued. This adjustment allows sufficient time for Bremerhaven to be included as a port of call on the southbound route, and for the earlier arrival in Nuuk.

During 2024, the company will evaluate the new schedule and investigate opportunities for further optimisation.

Suggestions made during the autumn dialogue included an increased frequency of calls in Qaanaaq and Ittoqqortoormiit, and, ice conditions permitting, an extended sailing season in the Upernavik district. These proposals have also been integrated into the revised schedule.

New markets

In 2023, the company continued to grow its revenue from freight routes that do not extend to Greenland. This revenue increase of over 50 % compared to 2022 was achieved by leveraging the surplus capacity available. Specifically, this involves selling container freight to customers requiring transport between other (non-Greenlandic) ports within the network. The revenue helps to optimise the utilisation of the company's capital equipment (ships). As this sale only marginally increases costs, it enables the company to charge lower rates to consumers in Greenland, compared to not utilising this option. Moreover, the sale yields an additional benefit, besides the financial gain, by reducing the carbon footprint per container transported.

Stricter environmental requirements

New environmental requirements are being set, and are increasingly requested by our stakeholders. Consequently, the new schedule incorporates measures to comply with increased requirements for reduction of carbon emissions.

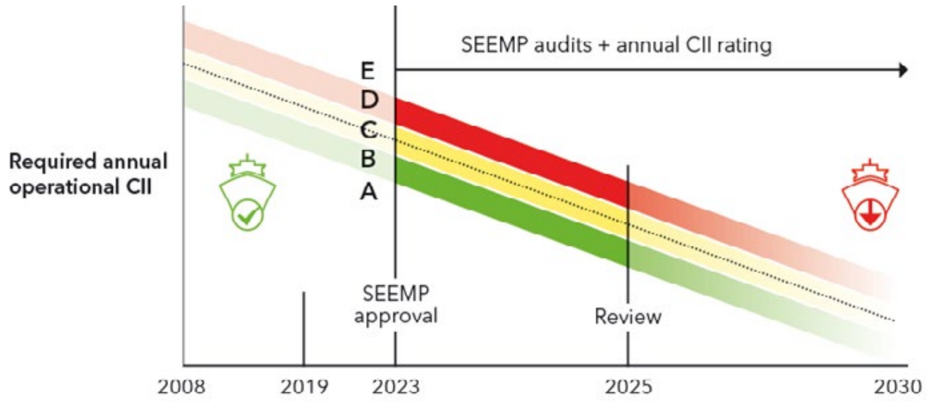
Changes have been made to the revised master schedule, including a port call at Bremerhaven. Despite the longer sailing route resulting from this call, removing the port calls at Aarhus and Thorshavn means that ships can reduce their speed, so there is no increase in bunker consumption. Overall, this adjustment will enable Royal Arctic Line to transport more cargo per nautical mile sailed, thereby enhancing the ships' Carbon Intensity Indicator (CII).

As from 1 January 2023, the International Maritime Organisation (IMO) has ruled that all ships above 5,000 GT must be classified in the Carbon Intensity Indicator (CII) category. The aim is to give each ship an energy classification based on that ship's emissions. To move from one group to another, an action plan known as a Ship Operational Carbon Intensity Plan (SEMP) must be drawn up. The plan describes measures to improve each ship's emissions.

CII serves as an "energy label" for ships, similar to those found on household appliances. Comprising five levels (A-E), CII is calculated using the following formula:

CII = (fuel consumption * CO_2 factor)/(distance sailed * capacity)

The change in the schedule will improve the CII of the VSA vessels *Tukuma Arctica/Dettifoss/Bruafoss*, so that the vessels are expected to be classified in category C.



Over time, the requirements for the five levels (A-E) will become more stringent, prompting the company to continually explore avenues for further improvement.

The second requirement mandates the company to procure carbon allowances (EUA – ETS allowances) equivalent to the emissions of the company's ships. This applies to routes calling at EU/EEA ports.

Under this system, Royal Arctic Line is obliged to report the carbon emissions stemming from calls at EU/EEA ports. For sailings from a non-EU/EEA port to an EU/EEA port, allowances equivalent to 50 % of the emissions must be purchased. If both ports are situated in an EU/EEA country, no reduction is applicable. This scheme will be implemented gradually over three years, with 40 % of emissions to be settled in 2024, 70 % in 2025, and full implementation in 2026. A minor reduction of 5 % is granted for ships complying with the Polar Code.

These two requirements demonstrate the way environmental awareness is increasing on a global scale. Another indication is the forthcoming obligation to incorporate sustainability reporting within the context of the annual financial report.

ESG reporting

The company aims to maintain a leading position and, therefore, collaborated with other Greenland companies in a joint programme in 2023. The objective of the programme was to prepare the companies for the new reporting requirements. Royal Arctic Line aims to ensure that its annual report for 2025 will comply with the Sustainability Reporting Directive (CSRD).

In 2024, the ongoing double materiality analysis (DMA) to reveal the areas with the greatest potential impact on achieving environmental, social and governance improvements will be completed. This analysis will lead to the identification of several key performance indicators (KPIs) for which the company will establish targets to be monitored in both internal and external reporting.

Trainee and student placements

For a number of years, Royal Arctic Line has implemented a deliberate strategy of engaging trainees and students in the company. This strategy underscores the company's commitment to building up local expertise and is also a good way of ensuring an intake of skilled employees to the company. The positive experience in this area means that efforts will be increased in 2024, including a larger budget for trainee placements.

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

Fleet renewal

The company's financial plans for the upcoming years are structured to allow for Royal Arctic Line's accumulation of capital over the next 4-5 years. This capital will ensure the necessary financial strength to invest in environmentally-sustainable ships. Currently, there is significant technological uncertainty in the global container freight market, with major players positioning themselves to ensure a stable supply of green propulsion technologies. Given its size, Royal Arctic Line has determined that it is best served by avoiding excessive technological risks. Therefore, the company will closely monitor developments and focus on maintaining sufficient financial strength to avoid compromising when the planned newbuildings are scheduled for construction in 2028/29.

Making it easier to do business with Greenland

The establishment of the new network, which includes calls at several ports outside Greenland and Denmark, contributes to the development of trade links with new destinations. This initiative is aligned with the vision of making it easy to do business with Greenland.

Goods can now be transported to and from the new ports. The next phase involves establishing connections that extend beyond the ports. Currently, customers can deliver goods to Greenland at the port of Aarhus, but if the goods originate from Copenhagen, for instance, customers are required to arrange transport between Copenhagen and Aarhus themselves. This presents a logistical barrier, commonly experienced by online shoppers, for example. Addressing this challenge will require collaboration with existing operators in this area. Royal Arctic Line therefore aims to strengthen its partnerships in the coming years to facilitate smoother trade processes.

Klaus Holsting

Need to update IT systems

The company's current IT system is not equipped to facilitate the level of data exchange necessaryfor Royal Arctic Line's products to appeal to the major players in the package transport sector. Therefore, an analysis will be initiated in 2024 to assess whether a full or partial replacement of the current cargo handling system could facilitate closer collaboration with one or more package transport operators. Currently, Tusass also handles packages delivered to customers in Greenland. Tusass works closely with KNI/Pilersuisoq in smaller towns and settlements – and the same applies to Royal Arctic Line. It is evident that enhancing cooperation among these three companies will make it easier to do business with Greenland. For this reason, Tusass (and KNI/Pilersuisoq) will be consulted when Royal Arctic Line selects new systems for handling less-than-container load freight (LCL).

An important objective for the replacement of the freight system will be to facilitate an even higher level of data exchange with partners. Another ambition will be for Royal Arctic Line's customers to customise bookings according to their preferences to a greater extent than currently possible, offering more *self-service* options. This will achieve greater alignment between customer preferences and the service provided.

Development in freight volumes

In 2023, freight volumes increased by 3.5 % compared to 2022. Concession freight volumes remained more or less stable, with an overall increase of less than 1 %. The overall positive trend in freight volumes can be attributed to an increase in non-concession freight, i.e. project and commercial freight volumes.

Both northbound and southbound freight volumes stagnated compared to 2022. However, internal freight volumes saw an increase of 5,547 cubic metres, equivalent to 3.6 %.

Commercial freight volumes surged by 27 % during the period. This was primarily driven by northbound freight from Denmark to Iceland.

Regarding project cargo, freight volumes experienced a notable 23 % compared to the same period in 2022. This growth encompassed internal, northbound, southbound and commercial project cargo.

Northbound freight volumes

Northbound freight volumes (in cubic metres)	Realised 2022	Realised 2023	Development	Index linking	Percentage share of total development
Standard freight	335.931	335.067	- 864	100	- 114 %
Car, boat, construction machine	25.571	23.285	- 2.286	91	- 302 %
Dangerous goods	5.978	7.571	1.592	127	210 %
Hazardous temperatures	127	96	- 31	76	- 4 %
Flatrack cargo	12.452	10.185	-2.267	82	- 299 %
Environmental goods	-	-	-	N/A	0 %
Oversize cargo	4.523	6.806	2.283	150	302 %
Tank containers	3.500	2.858	- 642	82	- 85 %
Temperature controlled	105.767	108.892	3.124	103	413 %
Transport equipment	10.187	9.839	- 348	97	- 46 %
Other	11	207	196	N/A	26 %
Total northbound	**504.048**	**504.805**	**757**	**100**	**100 %**

The ETA for freight in 2022 may have been adjusted, leading to potential changes in comparative figures.

For the concession northbound freight volumes, certain freight groups such as temperature-controlled freight, oversize cargo and dangerous goods increased compared to 2022, corresponding to an increase of 1.5 %. Conversely, freight groups including cars, boats and construction machinery, flatrack cargo and standard freight declined, constituting 1.1 % of the total northbound freight volumes. Overall, the northbound volumes remained unchanged compared to 2022.

Southbound freight volumes

Southbound freight volumes (in cubic metres)	Realised 2022	Realised 2023	Development	Index linking	Percentage share of total development
Standard freight	17.382	17.459	77	100	6 %
Car, boat, construction machine	2.202	2.232	30	101	2%
Dangerous goods	3.411	3.514	104	103	8 %
Hazardous temperatures.	-	-	-		0 %
Flatrack cargo	94	253	159	269	12 %
Environmental goods	7.785	7.704	- 81	99	-6 %
Oversize cargo	1.029	468	- 561	45	- 44 %
Tank containers	-	-	-		0 %
Temperature controlled	293.883	295.008	1.125	100	88 %
Transport equipment	15.313	16.225	911	106	71 %
Other	1.083	599	- 484	55	- 38 %
Total southbound	**342.182**	**343.461**	**1.279**	**100**	**100 %**

The ETA for freight in 2022 may have been adjusted, leading to potential changes in comparative figures.

Despite a delayed onset of the fishing season, there was a slight uptick of 0.4 % in southbound freight volumes.

The modest rise in freight volumes was primarily due to the strong performance of temperature-controlled freight in the latter half of the year.

Hans Jensen

Internal freight volumes

Internal freight volumes (in cubic metres)	Realised 2022	Realised 2023	Development	Index linking	Percentage share of total development
Standard freight	79.663	76.969	- 2.694	97	- 49 %
Car, boat, construction machine	16.593	16.608	15	100	0 %
Dangerous goods	1.947	1.860	- 86	96	- 2 %
Hazardous temperatures.	7	0	- 7	1	0 %
Flatrack cargo	2.125	1.811	- 314	85	- 6 %
Environmental goods	1.684	2.183	499	130	9 %
Oversize cargo	1.106	1.399	293	126	5 %
Tank containers	-	-	-		0 %
Temperature controlled	44.750	52.897	8.147	118	147 %
Transport equipment	4.803	4.469	- 334	93	- 6 %
Other	106	135	29	127	1 %
Total internal	**152.784**	**158.331**	**5.547**	**104**	**100 %**

The ETA for freight in 2022 may have been adjusted, leading to potential changes in comparative figures.

Internal freight volumes increased by 4.6 % compared to 2022, despite a 3.4 % decrease in the standard freight group.

This is due to an increase in internal temperature-controlled freight, which rose by 8,841 cubic metres, equivalent to 18 %.

Project cargo

	CUBIC METRES			Amount		
	2022	2023	Development	2022	2023	Development
Northbound	33.477.218	40.764.870	22 %	42.734	47.451	11 %
Southbound	1.288.585	2.196.564	70 %	4.506	6.638	47 %
Internal	732.966	2.374.436	224 %	1.391	4.572	229 %
Commercial	162.825	414.794	155 %	355	1.606	352 %
	35.661.594	**45.750.663**	**28 %**	**48.987**	**60.267**	**23 %**

ETA kan være ændret på fragt for 2022, hvorfor sammenligningstal også kan være ændret.

A total increase of 23 % in project cargo volumes. While all freight routes benefited from increasing freight volumes, the main drivers of this increase were the northbound and internal freight volumes, which rose by 4,717 cubic metres and 3,181 cubic metres, respectively. This represents 70 % of the total increase in project cargo volumes.

Commercial freight

There was a significant increase in commercial freight volumes in 2023. This increase was driven by a stronger focus on the commercial market, with Royal Arctic Line increasing its presence in Iceland, in collaboration with DHL.

Northbound commercial freight volumes rose significantly in 2023 compared to 2022, southbound commercial freight volumes declined, however. Nevertheless, the overall trend is a 27 % increase in commercial freight volumes from 2022 to 2023.

Profit/loss for the year

Royal Arctic Line's consolidated financial result for 2023 is a profit before tax of DKK 4.5 million and DKK 3.4 million after tax. This is a significant improvement from the loss of DKK 99 million before tax and DKK 74 million after tax in 2022.

The result is in line with the outlook in the interim report, where the company expected a profit before tax in the range of DKK 1-15 million.

Group revenue also saw growth in 2023, reaching DKK 1,225 million compared to DKK 1,181 million in 2022 overall. This represents an increase of DKK 44 million. Concession freight volumes stagnated in 2023 compared to 2022. In February 2023, the rates for freight from Greenland were increased. As a result, revenue from concession freight increased by a total of DKK 44 million in 2023 compared to 2022. In 2023, DKK 32 million less was charged in oil and exchange rate surcharges as a result of lower bunker prices in 2023. However, when considering all factors, including oil and exchange rate surcharges, the company invoiced DKK 12 million more for freight services rendered. This is equivalent to a 1.3 % increase in customers' payment for freight carried by Royal Arctic Line in 2023 compared to 2022.

In 2023, non-concession revenue increased once again, from DKK 241 million in 2022 to DKK 257 million in 2023. The increase of DKK 16 million primarily stems from revenue generated outside Greenland, including the sale of excess capacity on the routes between Iceland and Scandinavia, as well as substantial time-charter activity for *Malik Arctica*.

During 2023, the company undertook a review of its assets and business areas in order to optimise fleet capacity utilisation and focus on delivery of the core service. The review resulted in a decision to divest Mary Arctica and the freight forwarding business. These divestments are the main reason for the DKK 20 million increase in other income. In 2024, the company expects to continue to divest assets that are not essential for core service delivery and that do not make a significant positive contribution to operations.

The transition from own operations in Aalborg to procuring services in the port of Aarhus, together with an expanded agent contract with KNI/Pilersuisoq worth DKK 10 million, contributed to an overall increase in freight-related costs of DKK 52 million in 2023 compared to 2022. These changes also reduced costs for terminals and hourly-paid manpower by DKK 45 million during the same period.

Other external costs decreased from DKK 611 million in 2022 to DKK 542 million in 2023. Around half of this DKK 69 million decrease can be attributed to lower bunker prices in 2023, while the absence of the extraordinary costs incurred in 2022 due to the change of port in Denmark (amounting to DKK 30 million) is the second reason for the decrease.

The Group's staff costs decreased from DKK 415 million in 2022 to DKK 389 million in 2023. This represents a decrease of DKK 26 million, despite a period of high inflation and wage pressure. This reduction is attributable to various operational adjustments implemented by the company, including the discontinuation of own terminal operations outside Greenland, divestment of business areas, and other capacity adjustment measures.

Depreciation was reduced by DKK 11 million. The reduction is attributable to the divestment of *Mary Arctica* and the divestment of operational assets following the discontinuation of the company's own operations in Aalborg.

Net financial expenses decreased by DKK 3 million compared to 2022. It can be noted that the increasing interest rate levels did not impact the company negatively, despite the debt incurred from the completed newbuilding programme. The reason is that the interest rates for most of the company's debt were hedged during a period of low interest rates.

The company completed the financing of the new fleet in an interest rate environment which, until mid-2022, was characterised by very low rates. The average interest rate on the company's loans stands at 2.6 %, which is significantly below the current interest rate level.

The consolidated balance sheet at the end of 2023 amounted to DKK 1,483 million, compared to DKK 1,590 million at the end of 2022. The decrease of DKK 107 million reflects the divestment of assets and the completion of the fleet renewal, so that the ongoing depreciation will now reduce the value of the assets.

The company's long-term debt at the end of 2023 stood at DKK 576 million. This represents a decrease of DKK 65 million from the end of 2022. The planned debt management strategy reflects the ongoing repayment of the debt incurred during the fleet renewal. Short-term debt decreased by DKK 35 million in 2023, primarily due to the provision for costs at the end of 2022 related to the discontinuation of own operations in Aalborg, and changes in balances related to the bunker adjustment factor/currency adjustment factor.

At the end of 2023, the company's cash and cash equivalents totalled DKK 148 million, reflecting a marginal improvement of DKK 1 million compared to the end of 2022. The company also has unutilised credit facilities amounting to DKK 180 million.

The management of Royal Arctic Line considers the financial result to be satisfactory, as it confirms that the transition to using external suppliers outside Greenland has progressed as expected in financial terms.

It can be noted, however, that in 2023, several one-off income items totalling just over DKK 20 million contributed positively to the result. This effect is temporary. To ensure the company's financial sustainability in 2024 and beyond, and to secure the financial capacity for environmentally sustainable fleet renewal, various measures have been implemented.

At the Annual General Meeting on 13 May 2024, the Board of Directors will propose that Royal Arctic Line does not distribute dividends.

Changes in the Board of Directors and Executive Board
Heiðrún Jónsdóttir stepped down from the company's Board of Directors in 2023 and was succeeded by Barbara Agersnap. Barbara Agersnap, who serves as the CEO of Copenhagen Malmö Port (CMP), also holds positions on several other boards.

The other members of the Board of Directors were re-elected. The Board of Directors comprises Paviâraq Heilmann (Chairman), Erik Østergaard (Vice Chairman), Minannguaq Hilda Zeeb, Erik Sivertsen and Julia Knudsen Olsen, together with employee-elected members Eydun Simonsen, Laust Lindskov Vestergaard and Tina Lange Olsen.

Detailed information regarding the educational background and specialised expertise of both the Board of Directors and the Executive Board can be found on the company's website.

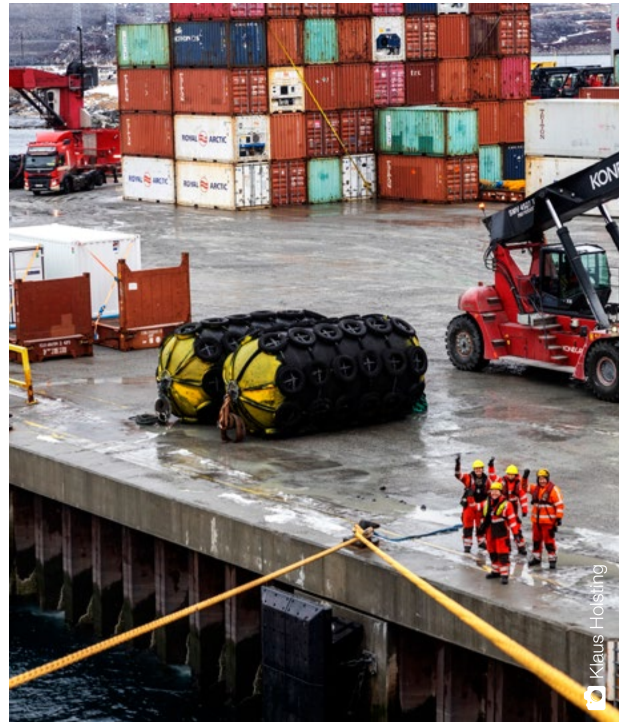
In autumn 2023, Verner Hammeken resigned from his position as CEO. The Executive Board comprises Niels Clemensen (CEO), Aviâja Lyberth Lennert (Deputy CEO), Ivalu Kleist (COO), Anders Bay Larsen (Fleet Management), Bebiane Boye Hansen (CHRO) and Jørgen Aqe Møller (CFO).

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. The oil price benchmark reflects the oil component of the unit price for a leading global container shipping company in 2023.

The oil price stabilised during 2023 compared to 2022. However, the global uncertainty and supply agreements among the oil-producing nations led to relatively large fluctuations in bunker prices again in 2023. As a consequence, the bunker adjustment factor/currency adjustment factor fluctuated between 6.6 % and 15.4 % in the course of the year. It is expected that again in 2024 the global uncertainty will contribute to fluctuations in bunker prices.

Newbuilding programme
Going forward, we will continuously adjust our fleet capacity and schedule, to make optimal use of the fleet without impacting 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

Even though reporting is currently receiving a lot of attention, we are focused not only on reporting, but also the actions behind it. Reporting serves to enhance our focus and actions, as we approach the completion of a double materiality analysis. Together with the automation of data extraction, this will reinforce the documentation of the outcomes we wish to achieve. Although reporting may seem extensive and frequently takes precedence in sustainability discussions, we perceive it as a tool to strengthen the company's ability to report on the outcomes achieved through our efforts. It serves as a means for us to gauge the value added by our initiatives and assess their effectiveness.

Our ambition is to achieve comprehensive ESG reporting, which we expect to be able to deliver in conjunction with our report for 2025. Our goal is for the report to encompass and illustrate our process and progress in achieving our ambition to contribute to 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.

Gender diversity in management. An equal gender distribution has been achieved in our top management body. At other management levels, the under-represented gender has not yet reached the 40 % target, but is so close (36 %) that it is expected to be reached in 2027.

The company's commitment to gender diversity is defined in a new gender equality policy expected to be rolled out in 2024.

Royal Arctic Line acknowledges its responsibility to ensure equal opportunities for career advancement and employment for all potential candidates, irrespective of gender. The objective is for the gender composition across various organisational levels to mirror, as a minimum, the composition of the relevant recruitment pool. However, the selection of candidates for any position will always be based on their specific qualifications, experience and personal qualities. For the Board of Directors and the Executive Board the aim is to achieve a gender distribution of at least 40/60.

This target also applies to the other management levels. However, it is acknowledged that achieving this target within the near future may present challenges, particularly with regard to maritime education programmes.

At the end of 2022, the ratio of the under-represented gender stood at 33 %. Several initiatives, such as HR's review of job advertisements to eliminate gender bias, as an element the data-driven recruitment process, contributed to increasing this ratio to 36 % by the end of 2023, bringing it close to the 40 % target. Additionally, an analysis has been launched to examine gender diversity across different professional categories.

The statutory report on corporate social responsibility, as mandated by Section 99a of the Danish Financial Statements Act, is addressed in a separate sustainability report, available on Royal Arctic Line's website www.royalarcticline.com/financial-reports/

The report includes an overview of compliance with the provisions regarding data ethics and the management diversity policy, see Section 99 d and Section 107 d of the Danish Financial Statements Act.

Royal Arctic Line A/S	**Unit**	**2023**	**2024**	**2025**	**2026**	**2027**
Highest management body						
Total number of members	Number	9				
Under-represented gender in %	%	44				
Target figure in %						
Year of target achievement						
Other management levels						
Total number of members	Number	25				
Under-represented gender in %	%	36				
Target figure in %	%	40				
Year of target achievement	Year	2027				

Outlook for 2024

The first of the major infrastructure investments in Greenland – the new Atlantic airport in Nuuk – will be completed in 2024. All else being equal, this will reduce the overall planned economic activity in Greenland. As a consequence the Greenland Economic Council adjusted its economic outlook downwards in January 2024.

In view of its exclusive concession for all sea transport of freight to, from and within Greenland, a declining level of economic activity will affect Royal Arctic Line's freight volumes, which are expected to level off in 2024. Stagnating freight volumes are directly reflected in the company's revenue. Inflation slowed down during 2023, but is still at a much higher level than it has been for the last 10-15 years. High inflation pushes up costs. A rate increase of 6.4 % was therefore imposed in January 2024. This was to ensure that escalating costs are covered. The company expects an equivalent increase in concession freight revenue, which is expected to reach DKK 820 million, excluding the bunker adjustment factor/currency adjustment factor, in 2024.

The change to the master schedule, removing Thorshavn from the northbound route, will eliminate part of the new market built up in recent years. On the other hand, the addition of a new call at Bremerhaven will open up access to a fresh new market. Bremerhaven is a much larger port than Thorshavn. This gives access to a vast, yet competitive, market. The change in the schedule is therefore expected to initially impact commercial revenue negatively, with a subsequent levelling off during 2024. As a result, no increase in revenue in the commercial markets is foreseen for 2024.

In early 2024, *Malik Arctica* will conclude a successful voyage to the South Pole for the German research institute Alfred-Wegener-Institut (AWI). This venture ensured optimal utilisation of the vessel in 2023, generating vital revenue during periods of potential downtime. However, a similar venture is not anticipated in 2024. In 2023, Royal Arctic Line intensified the dialogue with the US military to resume supplying the Pituffik Space Base.

Due to the divestment of the freight forwarding business, an evolving change in customer behaviour regarding timely container returns, and an anticipated significant decrease in project cargo due to the completion of large-scale projects, non-concession freight income is projected to decline by around DKK 20 million in 2024.

In connection with the rate application process with the owner, it was agreed that the rate increase for 2024 would be calculated on the basis of a zero result before tax. However, this fails to meet the company's need to secure adequate savings when the forthcoming newbuildings are implemented. Consequently, the company has reached an agreement with Naalakkersuisut (the Government of Greenland) concerning the rate development in the coming years. The company has been authorised to increase the rates by 3.1 % in 2025 and 2.2 % in 2026, in addition to the 2.5 % by which the company can increase the rates annually. If freight volumes deviate from expectations, the company will review.

In 2024, the company will diversify its efforts to bolster its cash reserves. Properties and other assets that do not contribute directly to the company's mission of supplying the people of Greenland will be divested.

Economic activity in society determines freight volumes, and thereby the company's earnings. A downturn in economic activity would have substantial repercussions, and budgeting to ensure a break-even result would heighten financial vulnerability. The course of the economy will therefore be monitored vigilantly, and corrective measures will be implemented if freight volumes decline.

The company has reduced unsystematic risks significantly, as these were driven by new construction programmes, discontinuation of own operations in Aalborg, and the implementation of a new financial system, which are all projects that have now been concluded. Consequently, unsystematic risk is deemed to be low in 2024. As in 2023, the focus will be on addressing the systematic risks.

The company's financial bottom line remains under pressure due to interest and repayment obligations for the loans secured for fleet renewal and savings for future investments. Therefore, in 2024, there will be a focus on streamlining processes and increasing digitalisation in order to further reduce costs.

Cash flows generated from operating activities in 2024 are expected to adequately cover the company's debt obligations. The company is assessed to have adequate financial resources for operations in 2024.

In conclusion, as a consequence of the agreement with the owner, the Royal Arctic Line Group expects a profit before tax at the level of DKK 0-10 million.

Financial risks

In 2024, most 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).

As part of the budgeting process, known fixed payments in USD, such as container leases and time charter agreements, are hedged using forward foreign exchange contracts. This reduces budgetary uncertainty. Hedging against fluctuations in bunker prices only takes place when vessels are chartered out if the company assumes the bunker risk in the agreement. The inclusion of a bunker adjustment factor/currency adjustment factor in freight charges ensures that the company is not exposed to price and exchange rate fluctuations in connection with bunker purchases.

The company maintains a strong, ongoing dialogue with its financial partners. This has ensured the company's continued access to adequate liquidity. The company has robust loan agreements in place and the associated loan covenants (financial claims from lenders) are monitored vigilantly to promptly detect any risk of breach and implement necessary measures.

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).

Unsystematic risks are primarily associated with newbuilding programmes, a standard concern for all shipping companies. Royal Arctic Line has no ongoing newbuilding programmes in 2024.

In 2022, the company took delivery of *Arpaarti Arctica* and *Tilioq Arctica* from the Spanish Nodosa shipyard. Two new Spanish companies were established as part of the financing model for these two ships, until final ownership could be transferred to the parent company (see "Royal Arctic Line Group"). This was accomplished in 2023 and the companies will be liquidated during 2024.

Systematic risks such as inflation and economic activity are under continuous scrutiny. In autumn 2023, an agreement was reached with *Naalakkersuisut* (the owner), allowing the company to increase rates by up to 2.5 % annually without prior approval, to accommodate fluctuations in prices and wages. This adjustment mitigates the company's exposure to the average development in inflation and wages. While fluctuations in economic activity are more difficult to hedge against, the company's shift to external suppliers beyond Greenland means that costs outside Greenland correlate with freight volumes, partially shielding the company from these economic fluctuations.

Operational risks
The company's primary purpose is to ensure supplies to Greenland Any failure in its operations could have significant consequences for the people of Greenland. The collaboration with Eimskip on transatlantic voyages helps mitigate the impact on supply during periods when the company's Atlantic vessel *Tukuma Arctica* is inactive. This was particularly relevant in August 2023, when Eimskip's vessel, *Johny Richter*, was deployed for a short period while the *Tukuma Arctica* was in dock.

Termination of own operations outside Greenland and calls at more ports also ensure greater flexibility in relation to terminal operations outside Greenland. This means that cargo can still be transported to Greenland even if a terminal is affected by a breakdown.

Cyber risk
Royal Arctic Line allocates significant resources to continuously increasing IT security in the company. This includes mandatory internal training courses, drills and regular reviews of the company's resilience to cyber attacks. During the autumn, the Centre for Cyber Security conducted a comprehensive investigation of the company's preparedness. This revealed that while security measures are robust, there is room for improvement. Some of these improvements have implemented.

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 leaves 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 service levels have a great influence on Greenland's economy, any changes must be approved by *Naalakkersuisut* (the Government of Greenland). In autumn 2023, a framework agreement was reached on future rate changes, mandating Royal Arctic Line to increase the rates by 2.5 % without requiring approval from *Naalakkersuisut*.

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. Historically, these business areas have primarily focused on developing operations within Greenland and, during the winter season, extending ventures beyond Greenland.

One of these areas concerns the delivery of supplies to research stations in the Antarctic. In 2023/24, Royal Arctic Line finalised an agreement with the Alfred Wegener Institute (AWI) for a supply voyage scheduled from November to 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. These markets include routes connecting Iceland, Germany (from March 2024), the Faroe Islands (only southbound from March 2024), Scandinavia, as well as routes 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.

Schedule, prices and contributions
Naalakkersuisut must annually consider and approve Royal Arctic Line's schedule. It has been decided politically that freight rates (excluding port handling) must be uniform across Greenland.

In the autumn of 2023, the company entered into an agreement to adjust freight prices. This agreement grants Royal Arctic Line the authority to increase rates by 2.5 %, starting from 2025, without requiring prior approval from Naalakkersuisut. In addition, Naalakkersuisut approved rate increases of 6.4 %, 3.1 % and 2.2 % in 2024, 2025 and 2026, respectively. The company has the option to increase rates by up to 5.6 % in 2025 and 4.7 % in 2026.

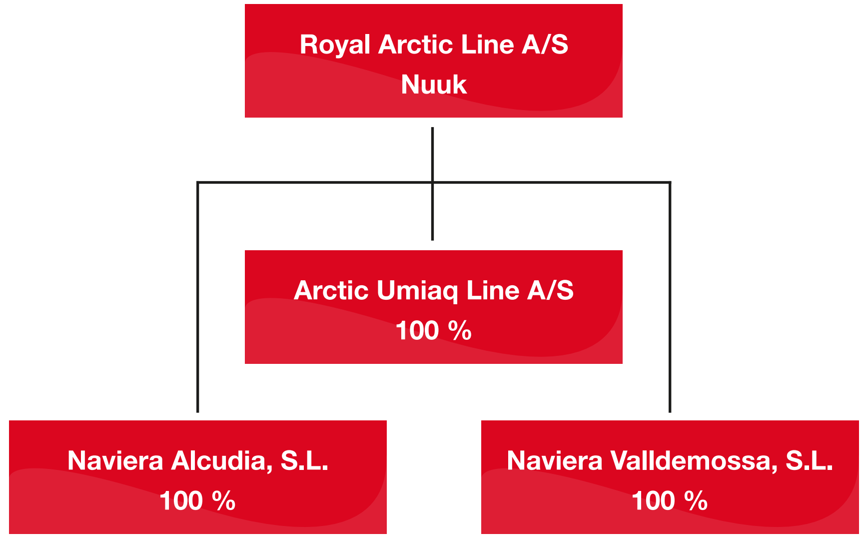
A bunker adjustment factor/currency adjustment factor is charged separately to offset fluctuations in oil prices and the exchange rate, for USD, the currency used to pay for bunker fuel.

ETS
From 2024 January the EU has introduced a requirement mandating the registration of carbon emissions from shipping to and from EU/EEA ports. As an incentive to reduce emissions, companies are required to purchase carbon allowances equivalent to their fuel consumption. Essentially, the higher the emissions (= bunker consumption) the greater the need to purchase additional allowances.

This takes place through the Emissions Trading System (ETS), which was established in 2005, and facilitates the trading of carbon allowances.

This is the first tax of this nature to be levied on the company, and that directly tied to its carbon emissions. The cost of purchasing carbon allowances is passed on to customers in the same way as the bunker adjustment factor/currency adjustment factor, as a separate item on invoices for freight affected by the scheme.

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* provides scheduled services along the west coast of Greenland, connecting Nanortalik and Upernavik. The service focuses primarily on transporting local travellers, but services are also provided for the tourist industry.

Arctic Umiaq Line returned a break-even result of TDKK -409 before tax in 2023, compared to a profit of DKK 7.5 million in 2022. This decline in performance can be attributed to a DKK 3 million decrease in revenue coupled with rising costs, including an increase in bunker expenses by DKK 3 million. Staff costs rose by DKK 2 million. The latter is a direct outcome of the company's strategic response to an expected growth in tourist numbers after the new airports open. The measures taken include strengthening the organisation, additional luxury-class cabins, and an upgrade of the booking system. Additionally, the itinerary now includes Uummannaq, Qasigiannguit, Kangaatsiaq, Upernavik and Nanortalik.

The aim is to target a more affluent customer segment, with the expectation that over time, this focus will increase revenue streams and thereby improve the company's overall profitability.

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. The company is under planned liquidation; the winding up process was initiated during 2023 and is expected to be finalised in 2024.

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. The company is under planned liquidation; the winding up process was initiated during 2023 and is expected to be finalised in 2024.

Corporate Governance in Royal Arctic Line

In 2012, *Naalakkersuisut* 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 – *Naalakkersuisut* (the Government of Greenland) and the Ministry of Housing and Infrastructure. Shareholder meetings are convened, during which the Chairman of the Board of Directors shares updates regarding noteworthy developments or shifts in financial performance, and on matters of significant economic or socioeconomic importance. Freight rates and the master schedule are approved each year by the owner's representatives, and major decisions are submitted to the owner's representatives for comment 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 Vice Chairman from among 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 Board
- 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 expertise, 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 Vice 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. The concession serves to minimise market risks associated with the core business.

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.

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

Executive Board

Niels Clemensen
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

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 2023 for Royal Arctic Line A/S. The annual report is presented in accordance with the Danish Financial Statements Act.

We have adapted the form requirement for the income statement and added an item "freight-related costs" to obtain a "true and fair view". We have chosen to separate "freight-related costs" from other external costs, as this accounting item is specifically linked to the accounting item "net sales". The restatement is in accordance with the applicable legislation.

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.

Nuuk, 26 March 2024

Board of Directors

Pâviâraq Heilmann
Chairman

Erik Jørgen Østergaard
Deputy chairman

Barbara Agersnap

Erik Sivertsen

Julia K. Olsen

Minannguaq Hilda
Zeeb

Royal Arctic Line's employee-elected members

Eydun Simonsen

Laust Lindskov
Vestergaard

Tina Lange Olsen

Independent Auditor's Report

To the shareholder of Royal Arctic Line A/S

Summary
In our opinion, the consolidated financial statements and parent company financial statements provide an accurate and comprehensive representation of the Group's and the Company's financial position as of 31 December 2023, and of the results of operations and cash flows for the financial year spanning from 1 January to 31 December 2023. These statements have been prepared in accordance with the Danish Financial Statements Act as applicable in Greenland.

We have audited the consolidated financial statements and annual accounts for Royal Arctic Line A/S for the financial year 1 January - 31 December 2023, which comprise the income statement, balance sheet, statement of changes in equity and accompanying notes, including the accounting policies for both the Group and the company, as well as the consolidated cash flow statement (the "accounts").

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

Opinion on the Management's Review
The management is responsible for the management's review.

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

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

It is also our responsibility to assess whether the management's review includes 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 and fair presentation of consolidated financial statements and parent company financial statements in accordance with the Danish Financial Statements Act as applicable in Greenland. 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, 26 March 2024

PricewaterhouseCoopers
State-authorised Public Accountants
CVR no. 33 77 12 31

Thomas Wraae Holm
State-authorised public accountant
Mne30141

Nuuk, 26 March 2024

Grønlands Revision A/S
State-authorised Public Accountants
CVR no. 41 76 26 67

Per Jansen
State-authorised public accountant
Mne21323

Income Statement 2023

	DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
1	Net revenue	1.139.033	1.109.977	1.190.095	1.165.750
2	Other operating income	57.057	31.961	34.831	15.323
	Total revenue	1.196.090	1.141.938	1.224.926	1.181.073
3	Cargo-related expenditure	(160.294)	(108.276)	(164.037)	(111.844)
	Gross profit	**1.035.796**	**1.033.662**	**1.060.889**	**1.069.229**
4	Other external expenditure	(522.329)	(588.739)	(542.060)	(610.662)
5	Staff expenditure	(385.211)	(412.039)	(388.910)	(415.078)
6	Amortisation, depreciation and impairment losses on fixed assets	(102.911)	(113.353)	(105.629)	(116.525)
	Total expenses	(1.010.451)	(1.114.131)	(1.036.599)	(1.142.265)
	Operating profit	**25.345**	**(80.469)**	**24.290**	**(73.036)**
7	Income from investments in Group companies	(197)	4.457	0	0
8	Income from investments	231	166	231	166
9	Other financial income	16.536	2.912	17.046	2.915
10	Other financial expenditure	(37.376)	(26.094)	(37.410)	(26.251)
	Profit before tax	**4.539**	**(99.028)**	**4.157**	**(96.206)**
11	Tax on profit for the year	(1.166)	25.351	(784)	22.529
12	**Profit/loss for the year**	**3.373**	**(73.677)**	**3.373**	**(73.677)**

Assets as of 31 December

	DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
	Software	7.234	9.719	7.234	9.719
	Development projects	106	647	1.687	647
13	**Total intangible assets**	**7.340**	**10.366**	**8.921**	**10.366**
	Ships	984.515	1.058.510	987.886	1.063.085
	Buildings	51.288	51.208	51.288	51.208
	Transport equipment, harbour boats, machinery, and fixtures and fittings	127.737	121.267	127.737	121.267
	Assets under construction	2.838	9.976	4.832	9.976
14	**Total tangible fixed assets**	**1.166.378**	**1.240.961**	**1.171.743**	**1.245.536**
	Investments in Group companies	27.279	26.417	0	0
	Investments	5.051	4.820	5.051	4.820
	Other securities and investments	1.012	1.016	1.012	1.016
15	**Total financial fixed assets**	**33.342**	**32.253**	**6.063**	**5.836**
	Total fixed assets	**1.207.060**	**1.283.580**	**1.186.727**	**1.261.738**
	Operating stock	14.787	15.160	15.915	16.283
	Total inventories	**14.787**	**15.160**	**15.915**	**16.283**
16	Trade receivables	99.940	111.132	100.365	111.682
	Receivables from Group companies	1.532	7.498	0	0
	Tax receivable	10	0	10	0
17	Other receivables	25.411	47.788	25.529	48.369
18	Prepayments and accrued income	5.004	4.278	5.480	4.687
	Total receivables	**131.897**	**170.696**	**131.384**	**164.738**
19	**Cash and cash equivalents**	**116.071**	**112.222**	**148.475**	**147.595**
	Total current assets	**262.755**	**298.078**	**295.774**	**328.616**
	Total assets	**1.469.815**	**1.581.658**	**1.482.501**	**1.590.354**

Liabilities as of 31 December

	DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
20	Share capital	120.000	120.000	120.000	120.000
	Reserve for hedging transactions	11.982	0	11.982	0
	Reserve for net revaluation of investments:				
	- Affiliated companies	22.279	21.417	0	0
	- Associated companies	1.554	1.323	1.554	1.323
	Other statutory reserves:				
	Reserve for development costs	78	476	0	0
	Retained earnings	476.486	494.408	498.843	516.301
	Proposed dividend	0	0	0	0
	Total equity	**632.379**	**637.624**	**632.379**	**637.624**
11	Deferred tax	20.548	21.849	21.224	22.865
	Other provisions	1.182	1.755	1.182	1.755
	Total provisions	**21.730**	**23.604**	**22.406**	**24.620**
	Mortgage debt in ships	542.021	604.541	542.021	604.541
	Mortgage debt	567	567	567	567
	Leasing debt	33.005	35.713	33.005	35.713
21	**Total non-current liabilities**	**575.593**	**640.821**	**575.593**	**640.821**
21	Next year's instalments on non-current liabilities	71.160	71.972	71.160	71.972
	Trade accounts payable	58.698	69.504	59.907	67.829
11	Corporation tax	0	462	238	2.341
22	Other payables	96.330	127.159	106.893	134.636
	Pre-invoiced revenue	6.020	2.221	6.020	2.221
	Prepayments and accrued income	7.905	8.291	7.905	8.291
	Total current liabilities	**240.113**	**279.609**	**252.123**	**287.290**
	Total liabilities	815.706	920.430	827.716	928.111
	Total liabilities	**1.469.815**	**1.581.658**	**1.482.501**	**1.590.354**

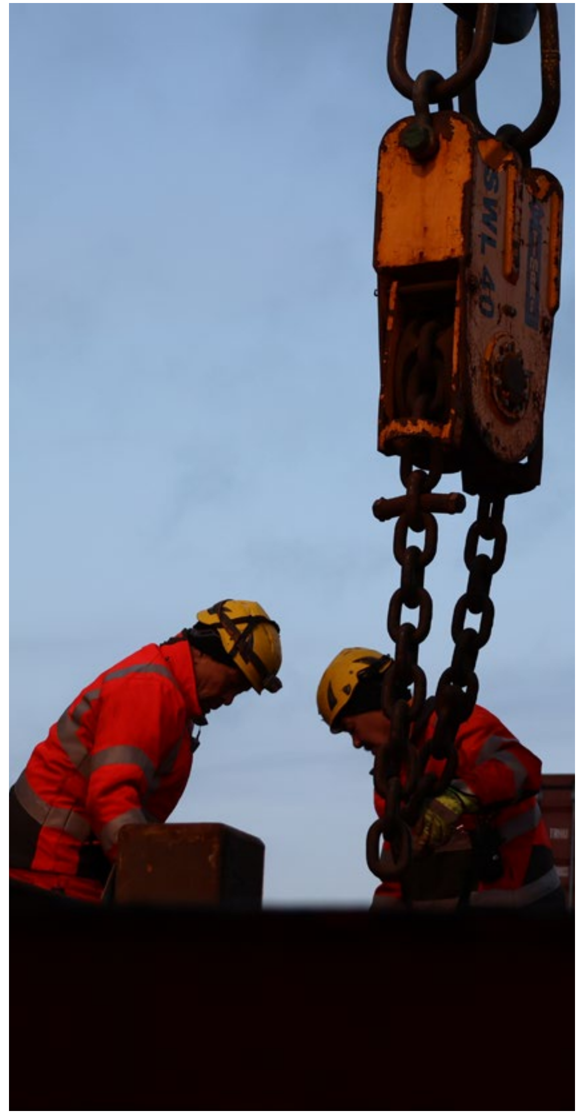
27 Pledges
28 Leasing and rental commitments

Equity Statement

DKK 1,000	Share capital	Reserve for hedging transactions	Reserve for net revaluation of investments	Reserve for development costs	Proposed dividend	Retained earnings	Total equity
Royal Arctic Line A/S							
Equity, 1 January 2023	120.000	0	22.740	476	0	494.408	637.624
Profit/loss for the year			1.093	(398)	0	2.678	3.373
Adjustment of derivative instruments, net		(8.618)					(8.618)
Transfer of adjustments from previous years		20.600			0	(20.600)	0
Equity, 31 December 2023	120.000	11.982	23.833	78	0	476.486	632.379
Equity, 1 January 2022	120.000	0	18.117	4.872	2.550	540.025	685.564
Profit/loss for the year			4.623	(4.396)	0	(73.904)	(73.677)
Adjustment of derivative instruments, net					0	28.287	28.287
Dividend paid					(2.550)		(2.550)
Equity, 31 December 2022	120.000	0	22.740	476	0	494.408	637.624
Royal Arctic Group							
Equity, 1 January 2023	120.000	0	1.323	0	0	516.301	637.624
Profit/loss for the year			231		0	3.142	3.373
Adjustment of derivative instruments, net		(8.618)					(8.618)
Transfer of adjustments from previous years		20.600			0	(20.600)	0
Equity, 31 December 2023	120.000	11.982	1.554	0	0	498.843	632.379
Equity, 1 January 2022	120.000	0	1.157	0	2.550	561.857	685.564
Profit/loss for the year			166		0	(73.843)	(73.677)
Adjustment of derivative instruments, net						28.287	28.287
Dividend paid					(2.550)		(2.550)
Equity, 31 December 2022	120.000	0	1.323	0	0	516.301	637.624

Cash Flow Statement

	DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
	Cash flow from operating activities				
	Operating profit	25.345	(80.469)	24.290	(73.036)
	Adjustment of costs of leasing assets	(7.656)	(1.037)	(7.656)	(1.037)
	Amortisation, depreciation and impairment losses	102.911	113.353	105.629	116.525
	Gain/loss on sale of fixed assets	(24.499)	(1.285)	(24.499)	(1.285)
23	Change in working capital	(11.931)	23.279	(10.352)	25.008
	Cash flow from primary operating activities	**84.170**	**53.841**	**87.412**	**66.175**
	Net interest payments	(15.286)	(17.637)	(14.810)	(17.791)
11	Tax paid	(66)	(142)	(1.665)	(2.507)
	Cash flow from operating activities	**68.818**	**36.062**	**70.938**	**45.877**
	Cash flow from investing activities				
13,14, 24	Investments	(65.426)	(267.330)	(69.556)	(272.160)
	Sale of fixed assets	64.581	204.272	63.623	204.272
	Acquisition and sale of financial fixed assets	4	6	4	6
	Cash flow from investing activities	**(841)**	**(63.052)**	**(5.929)**	**(67.882)**
	Cash flow from financing activities				
25	Loans raised for the year	2.813	62.722	2.813	62.722
26	Instalments for the year	(66.941)	(66.811)	(66.941)	(66.811)
11	Dividend paid	0	(2.550)	0	(2.550)
	Cash flow from financing activities	**(64.128)**	**(6.639)**	**(64.128)**	**(6.639)**
	Changes in cash and cash equivalents	3.849	(33.629)	880	(28.644)
	Cash and cash equivalents at the start of the year	112.222	145.851	147.595	176.239
	Cash and cash equivalents at year-end	**116.071**	**112.222**	**148.475**	**147.595**
	Distributed as follows:				
19	Cash and cash equivalents	116.071	112.222	148.475	147.595
	Total	**116.071**	**112.222**	**148.475**	**147.595**



Note

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
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			52.566	55.841
	Net revenue can be specified as follows:				
	Concession cargo income	924.784	916.677	932.988	924.811
	Non-concession income	214.249	193.300	257.107	240.939
	Total net revenue	**1.139.033**	**1.109.977**	**1.190.095**	**1.165.750**
2	**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.				
3	**Cargo-related expenditure**				
	This relates to costs directly incurred in order to generate income, and primarily concern costs for transport to and from ports.				
4	**Other external expenditure**				
	Ships	318.086	329.436	335.614	344.638
	Terminals	105.806	135.615	105.891	135.620
	Container operations	60.120	51.322	60.120	51.322
	Sales and administration	38.317	42.757	40.435	49.473
	Other operating costs	0	29.609	0	29.609
	Total other external expenditure	**522.329**	**588.739**	**542.060**	**610.662**
5	**Staff costs**				
	Staff costs can be specified as follows:				
	Wages and salaries	326.571	352.272	329.746	354.841
	Pension contributions	32.271	34.306	32.444	34.400
	Social costs	11.894	11.103	12.133	11.370
	Other staff costs	14.475	14.358	14.587	14.467
	Total staff costs	**385.211**	**412.039**	**388.910**	**415.078**

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
Executive Board				
Remuneration	14.133	12.567	14.133	12.567
Bonus	1.973	1.792	1.973	1.792
Board of Directors	1.509	1.509	1.509	1.509
Total remuneration	**17.615**	**15.868**	**17.615**	**15.868**

The Executive Board consists of six members after the CEO stepped down on 27 September 2023.
The resigning CEO is bound by a non-competition clause for 12 months following termination of employment.
The Executive Board has a company car at its disposal. Three members of the Executive Board reside in their own homes, and three members use staff accommodation.
The Executive Board has 12 months' notice of termination from the company. The notice required from the members of the Executive Board is six months.

	Remuneration 2023	Bonus 2023	Total	
Niels Clemensen	2.089	415	2.504	
Aviâja Lyberth Lennert	1.407	224	1.631	
Ivalu Kleist (3 months leave)	1.101	208	1.309	
Anders Bay Larsen	1.431	170	1.601	
Jørgen Aqe Møller	1.425	368	1.793	
Bebiane Boye Hansen	1.342	252	1.594	
Verner Hammeken (including severance agreement)	5.338	336	5.674	
	14.133	1.973	16.106	
Average number of full-time employees	687	742	691	745
Average number of trainees	51	42	51	42
	738	784	742	787
Number of employees at year-end	657	740	662	743
Number of trainees at year-end	51	41	51	41
	708	781	713	784
Of whom, at the end of the year, Royal Arctic Line A/S had the following employees who were loaned out to Arctic Umiaq Line A/S	42	41		

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
6	**Amortisation, depreciation and impairment losses on tangible and intangible fixed assets**				
	Ships	71.588	79.042	74.306	82.214
	Buildings	6.301	6.289	6.301	6.289
	Transport equipment, harbour boats, machinery, and fixtures and fittings	21.646	24.224	21.646	24.224
	Software	3.376	3.798	3.376	3.798
	Total amortisation, depreciation and impairment losses	**102.911**	**113.353**	**105.629**	**116.525**
7	**Income from investments in Group companies**				
	Arctic Umiaq Line A/S	(307)	5.589		
	Mar de Markina	(51)	(191)		
	Mar de Figueiro	(54)	(465)		
	Naviera Alcudia	91	(269)		
	Naviera Valdemossa	124	(207)		
	Total income from investments in Group companies	**(197)**	**4.457**		
8	**Income from investments**				
	Ejendomsselskabet Suliffik A/S	231	166	231	166
	Total income from investments in associated companies	**231**	**166**	**231**	**166**
9	**Financial income**				
	Unrealised currency exchange rate gains concerning long-term liabilities	410	259	410	259
	Other financial income	16.126	2.653	16.636	2.656
	Other financial income from Group companies	0	0	0	0
	Total financial income	**16.536**	**2.912**	**17.046**	**2.915**
10	**Other financial expenditure**				
	Unrealised currency exchange rate losses concerning long-term liabilities	1.654	687	1.654	687
	Other financial expenditure	35.722	25.407	35.756	25.564
	Other financial expenditure from Group companies	0	0	0	0
	Total financial expenditure	**37.376**	**26.094**	**37.410**	**26.251**
	In addition, financial costs for building new ships are recognised in the balance sheet	20.729	23.014	20.729	23.014

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
11	**Tax on profit for the financial year**				
	Tax on profit for the financial year consists of:				
	Royal Arctic Line A/S				
	Current tax, Greenland	0	(462)	42	(3.284)
	Deferred tax, Greenland	(1.572)	24.990	(1.232)	24.990
	Adjustment of corporation tax rate	0	899		899
	Adjustment regarding previous years, Greenland	406	(76)	406	(76)
	Group companies				
	Current tax, Greenland	0	0		0
	Tax on profit for the financial year	**(1.166)**	**25.351**	**(784)**	**22.529**
	Income tax	(66)	(142)	(1.665)	(2.507)
	Total tax paid	**(66)**	**(142)**	**(1.665)**	**(2.507)**
	The provision for deferred tax is primarily due to				
	Provisions at beginning of year	21.849	38.166	22.865	38.745
	Adjustment regarding previous years	437	0	437	0
	Adjustment regarding equity	(2.873)	9.638	(2.873)	9.638
	Change during the year	1.135	(25.955)	795	(25.518)
	Provisions at year-end	**20.548**	**21.849**	**21.224**	**22.865**
	Deferred tax is based on the following items:				
	Intangible fixed assets	1.809	0	1.809	0
	Property, plant and equipment	21.276	25.451	21.952	26.467
	Financial fixed assets	5.962	5.688	5.962	5.688
	Current assets	2.363	2.239	2.363	2.239
	Long-term liabilities	(7.889)	(8.849)	(7.889)	(8.849)
	Current liabilities	(2.677)	(2.241)	(2.677)	(2.241)
	Other	(296)	(439)	(296)	(439)
	Total	**20.548**	**21.849**	**21.224**	**22.865**

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
12	**Proposed distribution of profit**				
	Proposed dividend for the financial year	0	0		
	Transferred to reserve for net revaluation of investments	1.093	4.623		
	Reserve for development costs	(398)	(4.396)		
	Carried forward to next year	2.678	(73.904)		
	Total	**3.373**	**(73.677)**		
13	**Intangible fixed assets**				
	Software				
	Cost price				
	Cost price at beginning of year	54.434	50.201	54.434	50.201
	Additions during the year	0	0	0	0
	Disposals during the year	0	(5.711)	0	(5.711)
	Transfers	891	9.944	891	9.944
	Cost price at year-end	**55.325**	**54.434**	**55.325**	**54.434**
	Amortisation, depreciation and impairment losses				
	Amortisation, depreciation and impairment losses at beginning of year	44.715	46.628	44.715	46.628
	Depreciation for the year	3.376	3.798	3.376	3.798
	Amortisation, depreciation and impairment losses on disposals for the year	0	(5.711)	0	(5.711)
	Amortisation, depreciation and impairment losses at year-end	**48.091**	**44.715**	**48.091**	**44.715**
	Book value at year-end	**7.234**	**9.719**	**7.234**	**9.719**
	Development projects				
	Cost price				
	Cost price at beginning of year	647	6.628	647	6.628
	Additions during the year	350	3.963	1.931	3.963
	Disposals during the year	0	0	0	0
	Transfers	(891)	(9.944)	(891)	(9.944)
	Cost price at year-end	**106**	**647**	**1.687**	**647**
	Total intangible fixed assets	**7.340**	**10.366**	**8.921**	**10.366**

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2023	2022	2023	2022
14 Property, plant and equipment				
Ships				
Cost price				
Cost price at beginning of year	1.590.863	1.418.826	1.603.749	1.434.848
Addition of leased ships	0	180.405	0	180.405
Additions during the year	0	0	1.514	4.830
Adjustment regarding previous years	0	0	0	0
Disposals during the year	(196.845)	(24.296)	(196.845)	(32.262)
Transfers	24.044	15.928	24.044	15.928
Cost price at year-end	**1.418.062**	**1.590.863**	**1.432.462**	**1.603.749**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	532.354	477.358	540.665	490.460
Depreciation for the year	71.588	79.042	74.306	82.214
Amortisation, depreciation and impairment losses on disposals for the year	(170.395)	(24.046)	(170.395)	(32.009)
Amortisation, depreciation and impairment losses at year-end	**433.547**	**532.354**	**444.576**	**540.665**
Book value at year-end	**984.515**	**1.058.510**	**987.886**	**1.063.085**
Buildings				
Cost price				
Cost price at beginning of year	170.639	166.096	170.639	166.096
Additions during the year	0	0	0	0
Disposals during the year	(1.328)	(8.206)	(1.328)	(8.206)
Transfers	6.469	12.749	6.469	12.749
Cost price at year-end	**175.781**	**170.639**	**175.781**	**170.639**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	119.431	121.037	119.431	121.037
Depreciation for the year	6.301	6.289	6.301	6.289
Amortisation, depreciation and impairment losses on disposals for the year	(1.239)	(7.895)	(1.239)	(7.895)
Amortisation, depreciation and impairment losses at year-end	**124.493**	**119.431**	**124.493**	**119.431**
Book value at year-end	**51.288**	**51.208**	**51.288**	**51.208**

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2023	2022	2023	2022
Transport equipment, harbour boats, machinery, and fixtures and fittings				
Cost price				
Cost price at beginning of year	412.431	397.317	412.431	397.317
Additions during the year	(0)	493	(958)	493
Disposals during the year	(73.149)	(33.315)	(72.191)	(33.315)
Transfers	41.659	47.933	41.659	47.933
Cost price at year-end	**380.941**	**412.428**	**380.941**	**412.428**
Amortisation, depreciation and impairment losses				
Amortisation, depreciation and impairment losses at beginning of year	291.161	299.492	291.161	299.492
Depreciation for the year	21.646	24.224	21.646	24.224
Amortisation, depreciation and impairment losses on disposals for the year	(59.603)	(32.555)	(59.603)	(32.555)
Amortisation, depreciation and impairment losses at year-end	**253.203**	**291.161**	**253.203**	**291.161**
Book value at year-end	**127.737**	**121.267**	**127.737**	**121.267**
Of which financial leased assets	33.708	36.589	33.708	36.589
Assets under construction - ships				
Cost price				
Cost price at beginning of year	8.709	164.761	8.709	164.761
Additions during the year	15.814	61.541	17.807	61.541
Disposals during the year	0	(201.666)	0	(201.666)
Transfers	(24.044)	(15.927)	(24.044)	(15.927)
Book value at year-end	**479**	**8.709**	**2.473**	**8.709**
Including financial costs of	0	0	0	0

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
Assets under construction – buildings				
Cost price				
Cost price at beginning of year	585	1.112	585	1.112
Additions during the year	6.616	12.222	6.616	12.222
Disposals during the year	0	0	0	0
Transfers	(6.469)	(12.749)	(6.469)	(12.749)
Book value at year-end	**732**	**585**	**732**	**585**
Assets under construction – transport equipment, harbour boats, machinery, and fixtures and fittings				
Cost price				
Cost price at beginning of year	682	3.870	682	3.870
Additions during the year	42.604	44.741	42.604	44.741
Disposals during the year	0	0	0	0
Transfer to other items	(41.659)	(47.929)	(41.659)	(47.929)
Book value at year-end	**1.627**	**682**	**1.627**	**682**
Total assets under construction	**2.838**	**9.976**	**4.832**	**9.976**
Total tangible fixed assets	**1.166.378**	**1.240.961**	**1.171.743**	**1.245.535**

Pledged assets, see Note 29

15 **Financial fixed assets**

Investments in Group companies

	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022
Cost price		
Cost price at beginning of year	5.000	5.000
Additions during the year	0	0
Disposals during the year	0	0
Cost price at year-end	**5.000**	**5.000**

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
Revaluations and impairment losses				
Revaluations and impairment losses at beginning of year	21.417	16.960		
Disposals during the year	1.059	0		
Other adjustment	0	0		
Share in profit for the year	(197)	4.457		
Dividend paid	0	0		
Revaluations and impairment losses at year-end	22.279	21.417		
Book value at year-end	**27.279**	**26.417**		

Name	Domicile	Share capital (1,000)	Share of votes and ownership
Arctic Umiaq Line A/S	Nuuk, Greenland	2.000	100 %
Naviera Alcudia S.L.	Madrid, Spain	EUR 3	100 %
Naviera Valdemossa S.L.	Palma de Mallorca, Spain	EUR 3	100 %

Mar de Markina S.L. and Mar de Figueiro S.L. were liquidated during 2023.

The Spanish companies' annual reports are not audited

Investments

	Royal Arctic Line A/S 2023	Royal Arctic Line A/S 2022	Royal Arctic Group 2023	Royal Arctic Group 2022
Cost price				
Cost price at beginning of year	3.497	3.497	3.497	3.497
Additions during the year	0	0	0	0
Disposals during the year	0	0	0	0
Cost price at year-end	**3.497**	**3.497**	**3.497**	**3.497**
Revaluations and impairment losses				
Revaluations and impairment losses at beginning of year	1.323	1.157	1.323	1.157
Share in profit for the year	231	166	231	166
Dividend paid	0	0	0	0
Revaluations and impairment losses at year-end	**1.554**	**1.323**	**1.554**	**1.323**
Book value at year-end	**5.051**	**4.820**	**5.051**	**4.820**

Unless otherwise stated, the amount is stated in DKK 1,000		Royal Arctic Line A/S 2023	2022	Royal Arctic Group 2023	2022
Ejendomsselskabet Suliffik A/S		5.051	4.820		
Name	Domicile	Share capital	Share of votes and ownership		
Ejendomsselskabet Suliffik A/S	Nuuk, Greenland	11.000	30 %		
Receivables from Group companies and associated companies					
Cost price					
Cost price at beginning of year		0	0	0	0
Instalments for the year		0	0	0	0
Cost price at year-end		**0**	**0**	**0**	**0**
Book value at year-end		**0**	**0**	**0**	**0**
Securities					
Cost price					
Cost price at beginning of year		1.016	1.022	1.016	1.022
Additions during the year		0	0	0	0
Disposals during the year		(4)	(6)	(4)	(6)
Cost price at year-end		**1.012**	**1.016**	**1.012**	**1.016**
Book value at year-end		**1.012**	**1.016**	**1.012**	**1.016**
Total financial fixed assets		**33.342**	**32.253**	**6.063**	**5.836**

16 **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.

17 **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 18.3 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. One forward foreign exchange transaction has been entered into with the purpose of hedging the USD exchange rate. As at 31 December, the market value was negative at DKK 2.4 million.

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S 2023	2022	Royal Arctic Group 2023	2022
18	**Prepayments and accrued income**				
	Prepayments comprise prepaid costs related to rent, insurance premiums, IT licences, subscriptions and interest				
19	**Cash/bank debt**				
	Amount in USD	272	256	272	256
	Amount in EUR	2.138	1.787	2.138	1.787
	Calculated at the closing rate, this will give TDKK	17.769	15.072	17.769	15.072
20	**Share capital**				
	The share capital is not divided into share classes.				
	The share capital consists of one share of DKK 80 million and one share of DKK 40 million.				
	The share capital has not changed in the last five years.				
21	**Long-term liabilities**				
	Non-current liabilities are payable as follows:				
	Current portion of collateral debt in ships	65.503	65.413	65.503	65.413
	Current portion of mortgage debt	0	0	0	0
	Current portion of leasing debt	5.657	6.559	5.657	6.559
	Total current portion	**71.160**	**71.972**	**71.160**	**71.972**
	Total non-current portion	**575.593**	**640.821**	**575.593**	**640.821**
	Total book value	**646.753**	**712.793**	**646.753**	**712.793**
	Payable after more than five years (amortised cost price)				
	Mortgage debt in ships	368.271	431.315	368.271	431.315
	Leasing debt	4.155	8.155	4.155	8.155
	Mortgage debt	567	567	567	567
	Total amortised cost	**372.993**	**440.037**	**372.993**	**440.037**

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
22	**Other payables**				
	Payables relating to wages and rent	68.461	76.554	77.026	80.820
	Financial instruments	0	0	0	0
	Payable costs	27.869	50.605	29.867	53.816
	Total other payables	**96.330**	**127.159**	**106.893**	**134.636**
23	**Change in working capital**				
	Increase/decrease in receivables	39.607	(45.717)	35.222	(43.532)
	Increase/decrease in operating stocks	373	(6.992)	368	(7.095)
	Increase/decrease in warranty commitments	(573)	696	(573)	696
	Increase/decrease in trade payables	(10.806)	29.619	(7.922)	27.356
	Value adjustments relating to financial instruments	(11.490)	37.925	(11.490)	37.925
	Increase/decrease in other payables, etc.	(29.042)	7.748	(25.956)	9.659
	Total change in working capital	**(11.931)**	**23.279**	**(10.351)**	**25.008**
24	**Investments**				
	Investments in intangible assets	350	3.963	1.931	3.963
	Investments in ships	0	180.405	1.514	185.234
	Investments in buildings	0	0	0	0
	Investments in other fixed assets	0	493	(958)	493
	Change in assets under construction	65.076	82.470	67.069	82.470
	Total investments	**65.426**	**267.330**	**69.556**	**272.160**
25	**Loans raised during the year**				
	Loans raised, collateral debt in ships	0	61.703	0	61.703
	Loans raised, leasing	2.813	1.019	2.813	1.019
	Total borrowing for the year	**2.813**	**62.722**	**2.813**	**62.722**
26	**Instalments for the year**				
	Instalments for the year, collateral debt in ships	65.478	65.425	65.478	65.425
	Instalments for the year, mortgage debt	0	0	0	0
	Instalments for the year, leasing	1.463	1.386	1.463	1.386
	Total instalments for the year	**66.941**	**66.811**	**66.941**	**66.811**

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
27	**Charged assets and collateral**				
	Nominal value, collateral debt in ships:	1.311.788	1.507.036	1.311.788	1.507.036
	Carrying amount, collateral debt in ships:	965.584	1.024.074	965.584	1.024.074
	Mortgage debt is secured by properties as collateral				
	Nominal value of the mortgages:	50.567	30.567	50.567	30.567
	Carrying amount of the mortgaged properties:	15.131	38.293	15.131	38.293
28	**Leasing, rental and contingent liabilities**				
	In addition to liabilities recognised in the balance sheet, the company has the following significant liabilities:				
	Rental of containers expiring in 2026 and a total payment of USD 7.71 million, equivalent to TDKK 50,762: of which USD 3.48 million, equivalent to TDKK 24,367, falls due in 2024.	50.762	23.418	50.762	23.418
	Obligations under rental agreements until expiry in 2024:	9.656	9.555	9.656	9.555
	Obligations under rental agreements until expiry in 2025:	1.538	1.508	1.538	1.508
	In addition, a lease agreement concluded with Sikuki concerning the container terminal in Nuuk runs until 31 December 2042. The annual rent amounts to DKK 44.52 million for 2024, 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 payment of DKK 28.41 million: of which TDKK 5,165 falls due in 2024	28.409	33.575	28.409	33.575
	Leasing obligations:	71.124	18.681	71.124	257
	of which USD 2.31 million falls due in 2024, equivalent to TDKK 17,255	17.255		17.255	
	Royal Arctic Line A/S has provided a rent payment guarantee of:	0	6.200	0	6.200

	Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2023	2022	2023	2022
29	**Fees to auditors appointed by the Annual General Meeting**				
	Fees to the auditors appointed at the AGM are recognised in the annual report as follows:				
	Grønlands Revision A/S				
	Statutory audit	330	330	399	397
	Additional declarations	54	0	54	
	Tax consultancy services	7	19	15	26
	Other services	173	127	178	128
	Total	**564**	**476**	**646**	**551**
	PricewaterhouseCoopers				
	Statutory audit	770	770	770	770
	Tax consultancy services	100		100	
	Other services	595	691	595	691
	Total	**1.465**	**1.461**	**1.465**	**1.461**
	Total	**2.029**	**1.937**	**2.111**	**2.012**

30 **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, as well as 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, serving in the function of the 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 remuneration, cf. Note 6.

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

31 **Events after the end of the financial year**

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

32 **Executive functions**

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

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

Erik Jørgen Østergaard
CEO of DTL Danske Vognmænd
Chairman of the Board of Tungvognsspecialisten ApS
Chairman of the Board of David MacBrayne Ltd.
Chairman of the Board of M/S Museet for Søfart
Chairman of the Board of the Nordic Logistics Association
Board Member of Red Funnel Ltd.
Board Member of IRU

Barbara Agersnap
CEO and Branch Manager of Copenhagen Malmö Port
Chair of Kapitalforeningen SDG Invest
Board Member of Det Østasiatiske Kompagnis Almennyttige Fond
Board Member of Danske Havne
Board Member of Ports of Sweden

Erik Sivertsen
CEO of Halibut Greenland ApS
Co-owner and Board Member of Sermermiut ApS
Chairman of the Board of North Atlantic Seafood A/S

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

Minannguaq Zeeb
Customer Manager, INI A/S

Niels Clemensen
Board Member of Arctic Umiaq Line

Aviâja Lyberth Lennert
Board Member of Nuup Bussii A/S

Jørgen Aqe Møller
Owner of Active ApS
Owner, Director and Chairman of the Board of Q-Planning ApS
Co-owner and Board Member of Ihedge A/S
Board Member of Illuut A/S
Board Member of Siu Tsiu (as from 2024)

Anders Bay Larsen
Board Member of Arctic Umiaq Line
Board Member of Kommandør G. de Lichtenbergs Fond
Member of the Board of Directors, the Negotiation Committee DRO I at Danish Shipping

Bebiane Boye Hansen
Board Member of Ejendomsselskabet Suliffik A/S
Board Member of Ejendomsselskabet Posthuset A/S

Basis of Accounting

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.

Unless otherwise stated, the figures in the annual report are expressed in DKK 1,000.

In the income statement, accounting figures for previous years have been adjusted to ensure comparability. The restatement has no effect on the income statement, but is a reclassification between Staff expenditure and Other operating income.

In the cash flow statement, accounting figures for previous years have been adjusted to ensure comparability.
The restatement has no effect on cash flow but entails reclassifying movements on lease assets from the comparative year.

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 include Royal Arctic Line A/S (the parent company) together with domestic and foreign companies (Group companies) with ongoing commercial activities controlled by the parent company, as outlined in the Group overview on page 22. 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 by 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. Profit and loss 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
Derivative financial instruments are initially recognised in the balance sheet at their initial cost and are subsequently valued at their fair market value. Positive fair values of derivative financial instruments are categorised as "Other receivables," while negative fair values are classified as "Other payables".

Changes in the fair value of derivative financial instruments are recognised in the income statement, except when the derivative financial instrument is specifically designated as and meets the criteria for hedge accounting, as outlined below.

Hedge accounting
Changes in the fair value of financial instruments designated as and meeting the criteria as fair value hedges of a recognised asset or liability are recognised in the income statement, together with changes in the fair value of the hedged asset or liability attributable to the risk that is hedged.

Changes in the fair value of financial instruments designated as and meeting the qualifications as hedges of expected future transactions are recognised in equity within the hedge accounting reserve for the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction generates an asset or a liability, the deferred amount under equity is transferred from equity and recognised in the cost of the respective asset or liability. If the hedged transaction leads to an income or expense, the deferred amount under equity is transferred from equity to the income statement for the period for which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

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 as 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
Other operating income comprises items of a secondary nature in relation to the companies' main activity, including gains and losses on the sale of intangible assets and property, plant, and equipment.

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 interest income 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

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount, where the recoverable value represents the highest value of the asset's capital value on continued use of the assets, or the fair value of the assets at the balance sheet date.

Gains and losses arising from the disposal of intangible assets and property, plant, and equipment are recognised as the variance between the selling price, minus the costs incurred to sell, and the carrying amount of the asset.

Financial leased assets are measured and recognised in accordance with the same principles as property, plant, and equipment.

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 to the acquisition of Group companies. See the aforementioned description under the consolidated financial statements.

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

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

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

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

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

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

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

Deferred tax is calculated at 26.5 %.

Warranty commitments include commitments under maritime law.

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

Financial leasing obligations
Leases classified as finance leases, where the Group assumes substantially all the risks and rewards of ownership, are recorded in the balance sheet at the lower of the fair value of the asset and the present value of the lease payments. This present value is determined using the lease's internal rate of return or an approximation thereof as the discount rate. Assets held under finance leases undergo depreciation and amortisation following the same practice as applied to the Group's other fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest portion of the lease payment is expensed as incurred in the income statement.

All other leases are classified as operating leases. Payments under operating leases are recognised in the income statement on a straight-line basis over the lease term.

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 is prepared using the indirect method and illustrates cash flows from operating, investing and financing activities. Additionally, it discloses the Group's cash and cash equivalents at the beginning and end of the 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
Photos: Royal Arctic Line, Klaus Holsting, Hans Jensen, Jens Andersen
Layout: Royal Arctic Line