

ROYAL

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ATTAVEQALERSITSISUUVUGUT



ARCTIC

CONNECTING GREENLAND

INTERIM REPORT 2015

Royal Arctic Line A/S

and

Royal Arctic Group
(reg. nr. A/S 209.527)

ROYAL ARCTIC LINE A/S IS ALL OF GREENLANDS LINER SERVICE

OUR 745 EMPLOYEES ARE SPREAD OVER 13 HARBOURS IN GREENLAND, ON 11 VESSELS, AND IN THE GREENLANDIC BASE PORT IN AALBORG, DENMARK

TOGETHER WE ENSURE SECURITY OF SUPPLY TO THE 56.000 INHABITANTS – EVEN WHEN THE TASK IS PARTICULARLY DIFFICULT

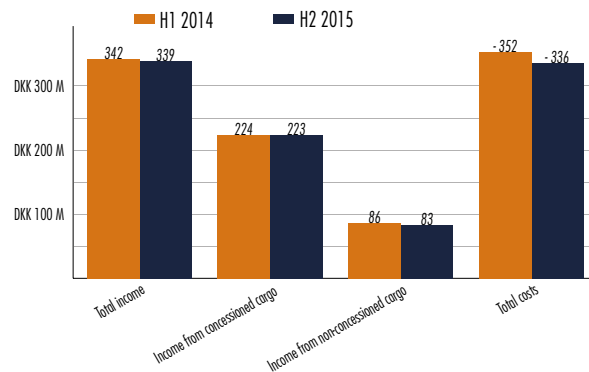
ROYAL ARCTIC LINE COMMENCED OPERATIONS IN 1993, AND ALL SHARES ARE OWNED BY THE GOVERNMENT OF GREENLAND

MANAGEMENT REVIEW, INTERIM REPORT 2015

The financial result for the first half of 2015 was satisfactory, but the group still has a great need to improve earnings. Necessary investments in new tonnage and infrastructure lead to higher costs in coming years and this puts pressure on the financial development.

FINANSIAL

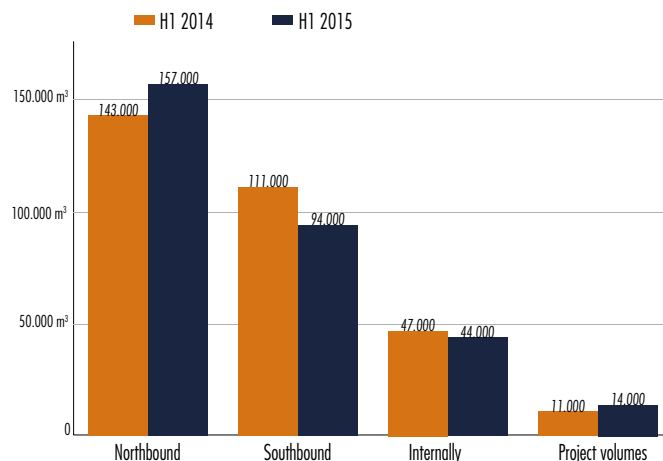
Developments in certain financial highlights



The group's loss before tax for H1 2015 has improved by approx. DKK 16m compared to H1 2014. The financial improvement is the result of reduced personnel costs, positive development in cargo volume to Greenland and an increase in freight rates from March 1st 2015.

FREIGHT VOLUMES

Freight volumes on different routes



The total cargo volume for H1 2015 was at the same level as H1 2014, but there was a wide variation in developments on the various freight routes. In all, 311,000 m³ cargo was carried in H1 2015, against 312,000 m³ in H1 2014.

Volume to Greenland increased by 10 per cent from 143,000 m³ in H1 2014 to 157,000 m³ in H1 2015.

On the other hand, the volume of goods sent from Greenland has declined by 15 per cent from 111,000 m³ in 2014 to 94,000 m³ in the first half of this year. There has been a decline in the volume of temperature regulated cargo (frozen fish and prawns) and a part of this decline can be attributed to the long winter which prevented early clearing of the cold storage warehouses in North Greenland. Some of this decline will probably be made up for, in the second half of 2015. Within Greenland, 45,000 m³ were carried in H1 2015 compared to 47,000 m³ in the first half of last year.

Non-concession cargo carried in H1 2015 amounted to 14,000 m³ compared to 11,000 m³ in 2014. As was the case in 2014, the major part of the cargo went to Thule Air Base. Other, non-concession work is still at a low level due to reduced activity in the mineral resources sector.

In the autumn of 2013, Royal Arctic Line signed a contract concerning the building of five vessels at the Polish shipyard of Remontowa in Gdansk. The vessels will be delivered in Q4 2015 and Q1 2016. In the financing agreement for the rebuilding program, the lender has set out a series of requirements (covenants) regarding Royal Arctic Line's financial situation – primarily key figures for earnings and solidity. These covenants must be maintained by Royal Arctic Line throughout the duration of the loan. In order to compensate for the effect of the previous years' declining cargo volume, Royal Arctic Line has asked Greenland's Government, Naalakkersuisut, to increase freight rates twice since cargo volume started to decline in 2012, most recently on March 1st 2015 where all rates went up by 4.8 per cent.

The investment contribution, which is collected on behalf of the Greenlandic government on all freight to, from and internally in Greenland and which contributes to financing the service contract for shipping to the settlements, will be 3.1 per cent throughout 2015 - the same as in previous years.

INTERIM FINANCIAL REPORT

* Group turnover in total was DKK 339m, a fall of DKK 2.8m compared to 2014

* Total operating costs were DKK 335.5m, a decline of DKK 16.8m compared to 2014

* Other revenue amounted to DKK 2.8m compared to DKK 1.4m in 2014

* Loss before tax amounted to DKK -15.1m compared to DKK -31m in 2014.

Royal Arctic Line's consolidated interim statement for the first half of 2015 showed a loss before tax of DKK 15.1m and a loss after tax and minority interests of DKK 10.7m. The same period in 2014 showed a loss of DKK 31m before tax and DKK 21.1m after tax. The financial improvement involves a series of opposing trends.

All in all, the group's turnover has been reduced from DKK 342m in H1 2014 to DKK 339m in 2015. This is due especially to a decline in non-concession revenue, which was reduced from DKK 85.7m to DKK 82.7m, primarily as a consequence of a reduced stevedoring activities.

Revenue from concession freight is on level with H1 2014, but without the revenue from the BAF/CAF surcharge the actual revenue from freight rates increased with DKK 16.5m due to increased northbound volume combined with the increase in freight rates. On the other hand, revenue from the BAF/CAF surcharge fell with DKK 16.8m due to lower oil prices. This fall was compensated for in part by a corresponding fall in bunker costs of DKK 13.3m under ships' costs.

** As mentioned in the Annual Report for 2014, the index for the bunker adjustment factor and the currency adjustment factor was changed as of March 1st 2014. The 1H 2014 is therefore not directly comparable with 1H 2015 which explains the major part of the difference (DKK 3.2m) between the reduction in bunker costs and the reduction in the BAF/CAF revenue.*

The group's expenses were also significantly reduced in H1 2015 and the profit/loss before tax improved by DKK 16m compared to H1 2014. Compared to ^{H1} 2014, costs were reduced by 5 per cent - DKK 16.9m. The most significant part came from a fall in the bunker costs under ships' costs. Overall, ships' costs have been reduced from DKK 91.4m in 2014 to DKK 77.4m in 2015.

Terminal costs have been reduced by DKK 0.2m which is partly due to a fall in activities, especially regarding southbound cargo and transport within Greenland.

Personnel costs have been reduced by DKK 4.3m to DKK 150m, while sales and administration costs have increased by DKK 1.8m. The reduction in personnel costs particularly regards employee wages and wages for workers paid by the hour and, to a lesser degree, lower training costs.

Costs in connection with container operations went up by DKK 0.8m to DKK 13.1m in 2015, which is mainly due to increased leasing costs following the trend for US dollars.

Financial items amount to an income of DKK 1.9m against a corresponding income of about DKK 0.3m in 2014. The increase is mainly due to extraordinary share dividends.

In line with last year, Royal Arctic Line collected investment contributions on behalf of Greenland's government in H1 2015 and these were accrued and recognised in the balance sheet in accordance with last year's practice. However, it is expected that part of this will be recognized as income this year, since the new settlement supply ships - which the investment contribution is intended for - are expected to be delivered at the end of 2015.

Expectations for the remainder of 2015

Royal Arctic Line has moderate expectations for development in cargo volume for H2 2015.

Efforts to reduce total costs will continue in H2 2015.

Profits for 2015 are expected to be in the range of DKK 40-45m before tax which is an upward adjustment of DKK 10m compared to the statement given in the financial report for 2014.

The economic development of the group will come under further pressure at the end of 2015 and in 2016 when the new vessels are delivered and taken into use. As expected, this will result in a significant increase in the company's depreciation of assets and its interest burden in years to come. Financing of the ship-building programme sets high demands for the company's financial capabilities and there are several key figures that must be maintained. This demands that the profit before tax must be at least on a level with the expected profit for 2015.



MANAGEMENT STATEMENT ON THE INTERIM REPORT

The Board of Directors and the Executive Board have today examined and adopted the unaudited interim report of Royal Arctic Line A/S for the period 1 January to 30 June 2015.

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

We consider the applied accounting policies appropriate for the interim report to provide a true and fair view of the Group and the Parent Company's financial position and results as well as their cash flows.

No significant events have occurred after the balance sheet date which would materially influence the evaluation of this interim report.

Ilulissat, September 2nd 2015

EXECUTIVE BOARD

Verner Hammeken
CEO

BOARD OF DIRECTORS

Kuno Fencker
Chairman

Erik Østergaard
Vice-Chairman

Tanja Nielsen

Amma Knudsen

Mai-Lill Ibsen

Jens Peter Berthelsen

Finn Lindberg

Aningo Broberg



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



COMPANY DETAILS

Company:

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Fax: +299 32 24 50
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Homepage: www.raLgl

Reg. nr.:

A/S 209.527

GER. nr.:

16545538

Registered in:

Nuuk, Greenland

Share capital:

DKK 120m

Ownership:

The Government of Greenland, Nuuk, Greenland, 100% ownership

Board of Directors:

Kuno Fencker, Chairman
Erik Østergaard, Vice-Chairman
Tanja Nielsen
Amma Knudsen
Mai-Lill Ibsen
Jens Peter Berthelsen*
Aningo Broberg*
Finn Lindberg*

** Elected by employees in 2014 for a four-year term*

Executive board:

Verner Hammeken, Chief Executive Officer (CEO)

Executiv group:

John Rasmussen, Chief Operations Officer (COO), and CEO, Royal Arctic Bygdeservice A/S
Bent Ole Baunbæk, Chief Financial Officer (CFO)
Niels Clemensen, Chief Commercial Officer (CCO)
Lars Østergaard, CEO, Royal Arctic Logistics A/S

Management Group:

Taitsianguaq Olsen, Division Manager, Royal Arctic Havneservice
Dragan Kesic, Department Head, IT
Jens Boye, Department Head, Ship Management
Helena R. Kristiansen, Department Head, HR
Jakob Strøm, Department Head, Communications

Auditors:

Deloitte Statsautoriseret Revisionspartnerselskab



INCOME STATEMENT

DKK m	Royal Arctic Line A/S		Royal Arctic Group	
	H1 2015	H1 2014	H1 2015	H1 2014
Revenue				
Income from concessioned cargo	221.836	221.950	223.484	223.825
Income from non-concessioned cargo	48.674	45.135	82.714	85.732
Net revenue	270.510	267.085	306.198	309.557
Other operating income	2.332	1.895	32.796	32.280
Total income	272.842	268.980	338.994	341.837
Expenditures				
Cargo-related expenditures	(12.304)	(11.763)	(20.568)	(20.670)
Gross profit	260.538	257.217	318.426	321.167
Ships	(66.304)	(80.086)	(77.413)	(91.430)
Terminals	(44.557)	(44.550)	(44.803)	(45.047)
Container operations	(23.197)	(21.015)	(13.111)	(12.346)
Sales and administration	(19.626)	(18.224)	(27.730)	(25.977)
Staff costs	(100.893)	(103.574)	(150.019)	(154.282)
Amortisation, depreciation and impairment losses on fixed assets	(18.749)	(19.154)	(22.425)	(23.191)
Total expenditures	(273.326)	(286.603)	(335.501)	(352.273)
Operating profit	(12.788)	(29.386)	(17.075)	(31.106)
Income from investments in affiliated companies, after tax	(3.293)	(1.671)	0	0
Income from investments in associated companies, after tax	38	(217)	38	(217)
Earnings before income and taxation (EBIT)	(16.043)	(31.274)	(17.037)	(31.323)
Financials				
6 Income from financials	2.805	1.428	2.826	1.378
7 Expenditures related to financials	(878)	(1.076)	(908)	(1.083)
Profit for the year before tax	(14.116)	(30.922)	(15.119)	(31.028)
Tax				
Tax on profit for the year	3.454	9.833	4.265	10.036
Profit for the year	(10.662)	(21.089)	(10.854)	(20.992)
Minority shareholders' share of profits	0	0	192	(97)
Profit for the year	(10.662)	(21.089)	(10.662)	(21.089)



DKK m	Royal Arctic Line A/S		Royal Arctic Group	
	H1 2015	H1 2014	H1 2015	H1 2014
Fixed assets				
Intangible assets				
Goodwill on consolidation	0	0	0	81
Total intangible assets	0	0	0	81
Property, plant and equipment				
Ships	97.711	109.270	97.711	109.270
Buildings	75.431	80.538	80.417	86.352
Transport equipment, harbour boats, machinery and fixtures	55.810	68.355	82.701	97.570
Assets under construction	566.290	329.876	566.369	334.426
Total property, plant and equipment	795.242	588.039	827.198	627.618
Fixed asset investments				
Investments in group enterprises	47.029	46.674	0	0
Investments in associates	8.658	8.577	9.787	10.391
Receivables from associates	1.000	2.000	1.000	2.000
Securities	4.535	4.725	4.536	4.727
Total fixed asset investments	61.222	61.976	15.323	17.118
Total fixed assets	856.464	650.015	842.521	644.817
Current assets				
Inventories and operating stock				
Operating stock	18.435	22.262	21.396	24.713
Total inventories and operating stock	18.435	22.262	21.396	24.713
Receivables				
Trade receivables	65.372	64.713	77.846	77.355
Receivables from group enterprises	1.202	0	0	0
Receivables from associates	1.628	2.207	1.634	2.207
Other receivables	2.230	6.698	5.220	5.729
Prepayments	9.098	10.518	11.274	12.254
Total receivables	79.530	84.136	95.974	97.545
Cash				
Cash and cash equivalents	135.237	90.227	165.960	100.374
Total current assets	233.202	196.625	283.330	222.632
Total assets	1.089.666	846.640	1.125.851	867.449



EQUITY AND LIABILITIES at 30. June 2015

DKK m	Royal Arctic Line A/S		Royal Arctic Group	
	H1 2015	H1 2014	H1 2015	H1 2014
Equity				
Share capital	120.000	120.000	120.000	120.000
Reserve for net revaluation according to the equity method				
- Affiliated companies	34.922	36.166	0	0
- Associated companies	3.910	3.829	5.096	5.232
Retained earnings	321.440	285.760	355.176	320.523
Equity, total	480.272	445.755	480.272	445.755
Minority interests				
Minority interests' share of equity	0	0	553	1.293
Total minority interests	0	0	553	1.293
Provisions				
Deferred tax	79.272	81.716	80.021	81.200
Warranty commitments	385	525	540	585
Total provisions	79.657	82.241	80.561	81.785
Liabilities other than provisions				
Non-current liabilities other than provisions				
Collateral debt in ships	361.175	163.486	361.175	163.486
Mortgage debt	1.134	18.600	1.134	18.600
Financial leasing	2.044	0	2.044	0
Total non-current liabilities other than provisions	364.353	182.086	364.353	182.086
Current liabilities other than provisions				
Next years instalments on non-current liabilities other than provisions	39.528	10.602	39.528	10.602
Trade payables	28.632	27.451	36.279	37.702
Payables to group enterprises	5.278	25.378	0	0
Payables to associates	932	634	1.000	728
Income tax	19.375	0	20.414	0
Other payables	69.667	72.493	100.919	107.498
Prepayments	1.972	0	1.972	0
Current liabilities other than provisions	165.384	136.558	200.112	156.530
Total liabilities other than provisions	529.737	318.644	564.465	338.616
Total equity and liabilities	1.089.666	846.640	1.125.851	867.449



CASH FLOW STATEMENT

Royal Arctic Line A/S

Royal Arctic Group

DKK m

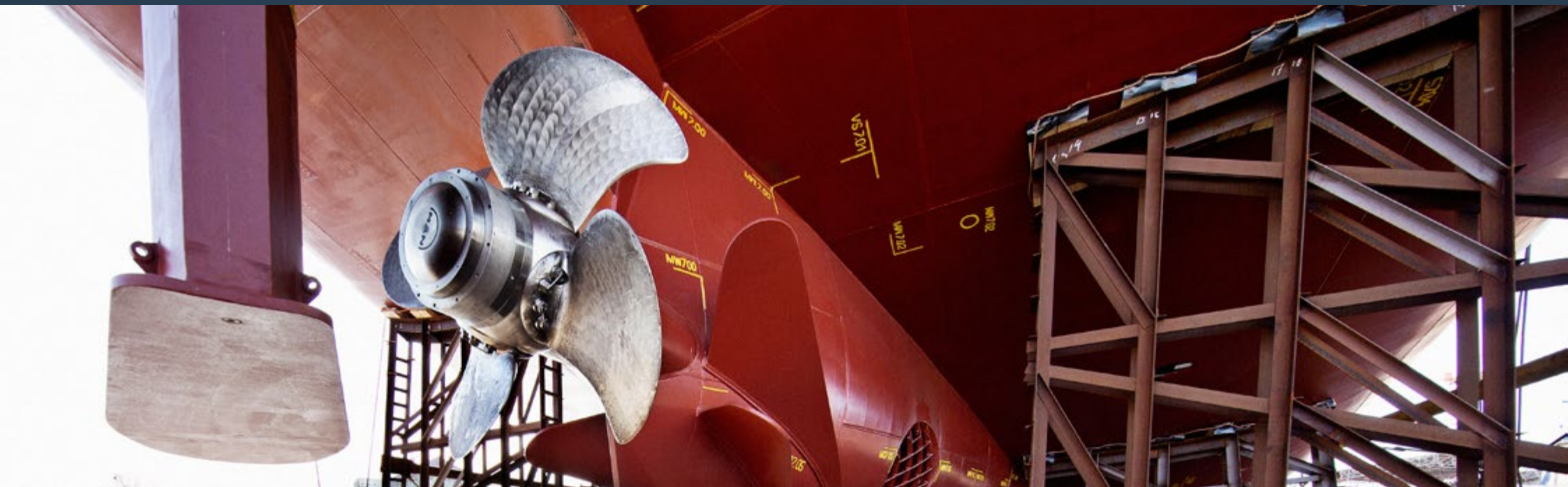
H1 2015

H1 2014

H1 2015

H1 2014

Cash flow from operating activities					
	Operating profit	(12.788)	(29.386)	(17.075)	(31.106)
	Amortisation, depreciation and impairment losses	18.749	19.154	22.425	23.191
	Dividends from group enterprises	2.200	1.600	680	0
	Net interest	1.927	352	1.918	295
8	Income tax paid	0	0	(67)	(210)
19	Working capital changes	(3.366)	5.402	3.649	(4.789)
	Cash flow from operating activities	6.722	(2.878)	11.530	(12.619)
Cash flow from investing activities					
10,20	Investments	(237.681)	(119.120)	(237.904)	(214.087)
	Fixed asset divestments	676	5.304	797	2.977
	Loan capital, associates	1.000	1.000	1.000	1.000
	Cash flow from investing activities	(236.005)	(112.816)	(236.107)	(210.110)
Cash flow from financing activities					
21	Borrowing for the year	221.881	163.486	221.881	163.486
22	Instalments for the year	(5.407)	(5.271)	(5.407)	(5.271)
	Dividend paid	0	(25.000)	0	(25.000)
	Cash flow from financing activities	216.474	133.215	216.474	133.215
	Increase/decrease in cash and cash equivalents	(12.809)	(72.539)	(8.103)	(89.514)
	Cash and cash equivalents at beginning of year	148.046	162.766	174.063	189.888
	Cash and cash equivalents at year-end	135.237	90.227	165.960	100.374
Composed as follows:					
13	Cash and cash equivalents	135.237	90.227	165.960	100.374
	Total	135.237	90.227	165.960	100.374



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