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**ROYAL**  **ARCTIC**

NO FORKLIFT



# Financial Highlights

Developments of the group over a three-year period can be described with the following high-lights and key figures for first half 2017:

DKK million

	2017	2016	2015
<b>Income statement</b>			
Net revenue	314	327	306
Total revenue	346	360	339
Operating profit	(41)	21	(17)
Net financials	(1)	(3)	2
Profit for the period before tax	(41)	17	(15)
Profit for the period	(28)	11	(11)
Dividend	0	0	0
<b>Balance sheet</b>			
Balance sheet total	1,138	1,222	1,126
Investments, fixed assets	126	16	238
Net working capital	113	254	83
Long-term debt	262	236	364
Equity	621	562	480
<b>Cash flow statement</b>			
Cash flow from operating activities	(73)	71	12
Cash flow from investment activities	85	(17)	(236)
Cash flow from financial activities	27	4	216
Increase/decrease in cash and cash equivalents	40	59	(8)
Cash at period end	235	294	166
<b>Ratios *</b>			
Profit margin (%)	(13.1 %)	6.3 %	(5.6 %)
Return on capital (%)	(3.6 %)	1.7 %	(1.5 %)
Return on equity (ROE)	(4.7 %)	2.2 %	(2.3 %)
Solvency ratio (%)	54.0 %	46.0 %	42.7 %
Return on invested capital (ROIC)	(6.2 %)	3.1 %	(2.8 %)
Gearing operating assets	1.1	1.2	1.3
<b>Average number of full-time employees</b>	714	619	658
<b>Pre-tax profit per employee (DK'000)</b>	(58)	27	(23)
<b>Revenue per employee</b>	0.44	0.53	0.47

\* Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2015"

## Definition of ratios

Net working capital	=	Current assets - short-term debt
Profit margin	=	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Revenue}}$
Return on capital employed	=	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Total assets}}$
Return on equity (ROE)	=	$\frac{\text{Profit/loss for the first half of year} \times 100}{\text{Average equity}}$
Solvency ratio	=	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit/loss before financial income and expenses} \times 100}{\text{Average invested capital including goodwill}}$
Operating asset gearing	=	$\frac{\text{Average invested capital including goodwill}}{\text{Equity at year-end}}$

Net working capital is defined as inventories, receivables and other operating current assets net of trade payables and other short-term liabilities. Receivables and corporate taxes due as well as cash and cash equivalents are not included in the net working capital.

# Management Review, Interim Report for the first half year of 2017

In connection with the modernisation of the maritime infrastructure in Greenland, Royal Arctic Line has initiated a process of change that involves significant investments and, as a consequence, increased depreciation costs.

The changes necessitate altered operational work processes and systems to live up to future demands for efficient and more adaptable service.

The completion of Sikuki Nuuk Harbour provides fine opportunities for more rational operations. It also means increased direct costs for Royal Arctic Line, but lower indirect costs which will benefit Greenland as a whole, once the reorganisation in connection with Sikuki has been fully implemented.

In continuing efforts to ensure operational continuity and to prepare the Company for a more open transport system, the Company introduced a new booking and cargo handling system in April.

The work to streamline the group structure has been going on for some time and it is expected to be concluded before the end of the year with the merger of Royal Arctic Line Danmark A/S with Royal Arctic Line A/S. In future, there will therefore be one parent company, Royal Arctic Line A/S, with Arctic Umiaq Line A/S as subsidiary company.

The Company accepted delivery of Malik Arctica in the first quarter of 2017 and has placed an order for a new, 2,150 TEU vessel with the Chinese shipyard Wenchong in Guangzhou. This vessel is expected to be delivered in June 2019.

The Company is presently preparing plans to build up to 4 vessels for settlement services. It is expected delivery in the middle of 2019.

Such a major process of change will always involve challenges and expenditure, and this has had an effect on our desired level of service and on the figures in the interim report.

# Interim Financial Report

The ice in North Greenland meant later calls at settlements and towns in North Greenland, resulting in a shift in some of the volume of export cargo to the second half of the year. Exports were therefore 18 % lower compared to the same period last year, although they are expected to catch up in the second half of 2017.

The long winter resulted in a delay in building activities and we have therefore not experienced such a high level of imports as in the same period in 2016. Imports to Greenland fell by 17 % to 158,000 cubic metres. Internally in Greenland, cargo volume fell by 7 % to 44,000 cubic metres compared to the same period in 2016.

Group performance for the first half of 2017 resulted in a loss of DKK 41.5 million before tax and a loss of DKK 28.0 million after tax. The profit/loss for Arctic Umiaq Line has been wholly consolidated in the figures for the first half year, because Royal Arctic Line took over the entire company on July 1st 2016.

In the same period in 2016, Royal Arctic Line made a profit before tax of DKK 17.4 million and DKK 11.3 million after tax and minority interests.

The group's turnover for the first half year of 2017 was DKK 346.4 million, which is DKK 13.4 million lower than the same period last year. After adjustment for revenue from Arctic Umiaq Line of DKK 15.6 million from the first half year of 2017 which has been recognised as revenue for the first half year of 2017, the fall is DKK 29.0 million. The non-concession revenue was DKK 65.3 million against DKK 77.7 million in the same period in 2016, which is the equivalent of a reduction of DKK 12.4 million. When not recognizing the turnover from Arctic Umiaq Line the turnover from non-concession cargo for Royal Arctic Line is DKK 49.7 million in first half 2017.

The financial performance is affected by the increasing price of oil, which is reflected in ships costs in the profit and loss statement. These extra costs are however compensated in part by BAF/CAF adjustments in the turnover.

Human resources and sales and administration costs have increased primarily due to extra personnel in connection with the phasing-in of Malik Arctica as well as increased costs in connection with the introduction of new systems.

Amortisation, depreciation and impairments for the first half of 2017 were DKK 8.0 million higher compared to the same period last year as a consequence of the delivery of two new settlement vessels in the second half of 2016 and the new oceangoing vessel in the first quarter of 2017.

Total costs increased with DKK 53.9 million to a total of DKK 377.1 million for the first half year of 2017. The increase includes DKK 17.0 million from Arctic Umiaq Line.

In the first half of 2017, the company had a negative cash flow from operations of DKK 72.6 million. In the same period, DKK 126.5 have been invested in connection with delivery of an ocean-going vessel and the first payment in connection with the order for new tonnage in China. In the first half of 2017, the Company received a DKK 210.2 million refund in connection with the earlier cancellation of orders for new ships.

The Company's equity at 30th June 2017 was DKK 621.0 million. At the end of the same period last year, equity was DKK 562.0 million

At the end of June 2017, the Company experienced a 3-day strike in Aalborg following a Company announcement concerning future shipping to Denmark. The strike did not have any influence on profit or loss for the period.

## **Expectations for operating for 2017**

Royal Arctic Line expects a profit before tax of between DKK5 - DKK15 million for 2017.

# Management Statement on the Interim Report

The Board of Directors and the Executive Board have today examined and adopted the unaudited interim report for the period 1st January - 30th June 2017.

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

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

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

Igaliku, August 30th 2017

## Executive Board



Verner Hammeken  
CEO

## Board of Directors



Kuno Fencker  
Chairman



Erik Østergaard  
Vice-chairman



Tanja Nielsen



Mai-Lill Ibsen



Amma Knudsen



Jens Peter Berthelsen



Aningo Broberg



Finn Lindberg

# Company Details

## The Company

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3900 Nuuk  
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Fax: +299 32 24 50  
E-mail: ral@ral.gl  
Website: www.ral.gl

## Registration number

A/S 209.527

## GER. number

16545538

## Registered

Nuuk, Greenland

## Share capital

DKK 120 million

## Ownership

Wholly owned by the Government of Greenland, Nuuk, Greenland

## Board of Directors

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

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

## Executive Board

Verner Hammeken, Chief Executive Officer (CEO)

## Management Group

Anders Bay Larsen, Acting Head of Department, Ship Operations  
Ann-Britta A. Olsvig, Head of Department, Communications and Marketing  
Aviaaja Lyberth Lennert, Secretariat of the Executive Board/CEO Arctic Umiaq Line  
Dragan Kesic, Head of Department, IT  
Ivalu Kleist, Head of Department, Customer Services  
Lars Borris Pedersen, Head of Department, Sales  
Stefan Dirk Buch, Interim CFO  
Taitsiannguaq Olsen, Assistant Director, Operations  
Tommy Ege Kristensen, Head of Department, HR

## Auditors

Deloitte, Statsautoriseret Revisionspartnerselskab, Chartered Accountants

# Income Statement for the period 1st january- 30th june

DKK '000	Royal Arctic Line A/S		Royal Arctic Group	
	2017	2016	2017	2016
<b>Revenue</b>				
Income from concession cargo	248,433	249,770	248,432	249,770
Income from non-concession cargo	36,187	50,819	65,280	77,682
Net revenue	284,620	300,589	313,712	327,452
Other operating income	32,685	32,854	32,681	32,384
Total income	317,305	333,443	346,393	359,836
<b>Expenditures</b>				
Cargo-related expenditure	(8,460)	(10,696)	(10,199)	(15,889)
Gross profit	308,845	322,747	336,194	343,947
Ships	(82,589)	(57,740)	(90,846)	(57,599)
Terminals	(64,339)	(51,808)	(57,684)	(44,025)
Container operations	(19,000)	(21,500)	(10,943)	(13,224)
Sales and administration	(30,797)	(18,510)	(32,693)	(22,190)
Human resources	(119,951)	(105,045)	(158,622)	(142,142)
Amortization, depreciation and impairment losses on fixed assets	(23,239)	(15,958)	(26,347)	(18,322)
Other operating expenditure	0	(25,725)	0	(25,725)
Total expenditure	(339,915)	(296,286)	(377,135)	(323,227)
Operating profit	(31,070)	26,461	(40,941)	20,720
Income from investments in affiliated companies	(8,244)	(4,506)	0	0
Earnings before financial income	(39,314)	21,955	(40,941)	20,720
<b>Financial items</b>				
Other financial income	597	1,035	597	1,043
Impairment of financial fixed assets	0	(4,000)	0	(4,000)
Other financial expenditure	(1,071)	(318)	(1,129)	(359)
Profit before tax	(39,788)	18,672	(41,473)	17,404
<b>Tax</b>				
Tax on profit for the period	11,770	(7,371)	13,455	(6,103)
Profit for the period	(28,018)	11,301	(28,018)	11,301



# Assets as at 30th June


DKK '000	Royal Arctic Line A/S		Royal Arctic Group	
	2017	2016	2017	2016
<b>Non-current assets</b>				
<b>Property, plant and equipment</b>				
Ships	531,790	86,151	535,607	86,151
Buildings	66,521	71,597	69,927	75,832
Transport equipment, harbour boats, machinery and fixtures	87,880	43,501	108,417	62,723
Assets under construction	48,964	388,762	48,964	388,762
Total non-current assets	735,155	590,011	762,915	613,468
<b>Financial non-current assets</b>				
Investment in affiliated companies	38,168	41,601	0	0
Investment in associated companies	3,872	5,041	3,872	5,041
Receivables from associated companies	0	0	0	0
Other securities	1,471	4,456	1,471	4,456
Total non-current financial assets	43,511	51,098	5,343	9,497
Total non-current assets	778,666	641,109	768,258	622,965
<b>Current assets</b>				
<b>Inventories and operating stock</b>				
Operating stock	22,563	18,611	23,457	19,155
Total inventories and operating stock	22,563	18,611	23,457	19,155
<b>Receivables</b>				
Trade receivables	75,138	65,232	83,241	75,229
Receivables from affiliated companies	0	0	0	0
Receivables from associated companies	1,595	1,572	0	1,576
Other receivables	22,391	207,697	26,453	201,489
Accruals and prepayments	12,469	7,445	12,873	7,467
Total receivables	111,593	281,946	122,567	285,761
<b>Cash</b>				
Cash and cash equivalents	225,286	278,527	235,387	293,625
Total current assets	359,442	579,084	381,411	598,541
<b>Total assets</b>	<b>1,138,108</b>	<b>1,220,193</b>	<b>1,149,669</b>	<b>1,221,506</b>

# Equity and Liabilities as at 30th June

DKK '000	Royal Arctic Line A/S		Royal Arctic Group	
	2017	2016	2017	2016
<b>Equity</b>				
Share capital	120,000	120,000	120,000	120,000
Reserve for net revaluation, equity method:				
- Affiliated companies	23,059	26,976	0	0
- Associated companies	375	1,544	375	1,544
Retained earnings	477,552	413,466	500,611	440,442
Total equity	620,986	561,986	620,986	561,986
<b>Minority interests</b>				
Deferred tax	50,729	78,237	49,885	78,510
Warranty commitments	2,850	310	2,850	310
Total provisions for liabilities	53,579	78,547	52,735	78,820
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Collateral debt in ships	259,706	233,526	259,706	233,526
Mortgage debt	1,134	1,134	1,134	1,134
Financial leasing	1,538	1,564	1,538	1,564
Total non-current liabilities	262,378	236,224	262,378	236,224
<b>Current liabilities</b>				
Next year's instalment on non-current liabilities	20,401	154,236	20,401	154,236
Trade payables	34,503	34,432	39,350	38,673
Payables to affiliated companies	24,228	20,782	0	0
Payables to associated companies	0	0	0	11
Payable company tax	52,865	37,966	52,624	37,974
Other payables	57,976	67,049	89,643	84,611
Accruals	11,192	28,971	11,552	28,971
Current liabilities	201,165	343,436	213,570	344,476
Total liabilities	463,543	579,660	475,948	580,700
<b>Total equity and liabilities</b>	<b>1,138,108</b>	<b>1,220,193</b>	<b>1,149,669</b>	<b>1,221,506</b>

# Cash Flow Statement for the period january 1st - june 30th

DKK '000	Royal Arctic Line A/S		Royal Arctic Group	
	2017	2016	2017	2016
<b>Cash flow from operating activities</b>				
Operating profit	(31,070)	26,461	(40,941)	20,720
Amortization, depreciation and impairment losses	23,239	15,958	26,347	22,322
Net interest	(475)	717	(532)	(3,316)
Company tax, paid	0	0	0	0
Changes in working capital	(37,918)	40,359	(57,430)	31,557
<b>Cash flow from operating activities</b>	<b>(46,224)</b>	<b>83,495</b>	<b>(72,556)</b>	<b>71,283</b>
<b>Cash flow from investment activities</b>				
Investments	(123,233)	(18,984)	(126,481)	(16,232)
Fixed asset divestments	1,724	1,595	1,784	(1,363)
Cancellation of order for ships	210,155	0	210,155	0
Loan to associated companies	0	1,000	0	1,000
<b>Cash flow from investment activities</b>	<b>88,646</b>	<b>(16,388)</b>	<b>85,458</b>	<b>(16,595)</b>
<b>Cash flow from financial activities</b>				
Borrowing during the period	33,379	5,441	33,379	5,441
Instalments for the period	(6,746)	(1,328)	(6,746)	(1,328)
Dividend paid	0	0	0	0
<b>Cash flow from financial activities</b>	<b>26,633</b>	<b>4,113</b>	<b>26,633</b>	<b>4,113</b>
Increase/decrease in cash and cash equivalents	69,055	71,220	39,535	58,801
Cash at merger	0	6,103	0	0
Cash and cash equivalents at beginning of year	156,231	201,204	195,852	234,824
<b>Cash and cash equivalents at period end</b>	<b>225,286</b>	<b>278,527</b>	<b>235,387</b>	<b>293,625</b>
<b>Composed as follows:</b>				
Cash and cash equivalents	225,286	278,527	235,387	293,625
<b>Total</b>	<b>225,286</b>	<b>278,527</b>	<b>235,387</b>	<b>293,625</b>



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