

Royal Greenland A/S

Interim Report

1. January 2022 – 30. June 2022

CVR: 13645183

Royal Greenland A/S

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Statement by the Management on the Interim Report

We have today presented the interim report at 30. June 2022 for Royal Greenland A/S.

The company's auditor has not carried out an audit or review of the interim report.

The interim report is presented in accordance with the Danish Financial Statements Act. We consider the chosen accounting policy to be appropriate, and following this unchanged accounting policy, the interim report provides a true and fair view of the Group's assets and liabilities, financial position, profits and cash flow.

Nuuk, 29 August 2022

Executive Board

Mikael Thinghuus

Nils Duus Kinnerup

Bruno Olesen

Lars Nielsen

Supervisory Board

Maliina Abelsen

Niels Harald de Coninck-Smith

Jesper Højer

Susanne Christensen

Johannes Jensen

Arnanguaq Holm Olsen

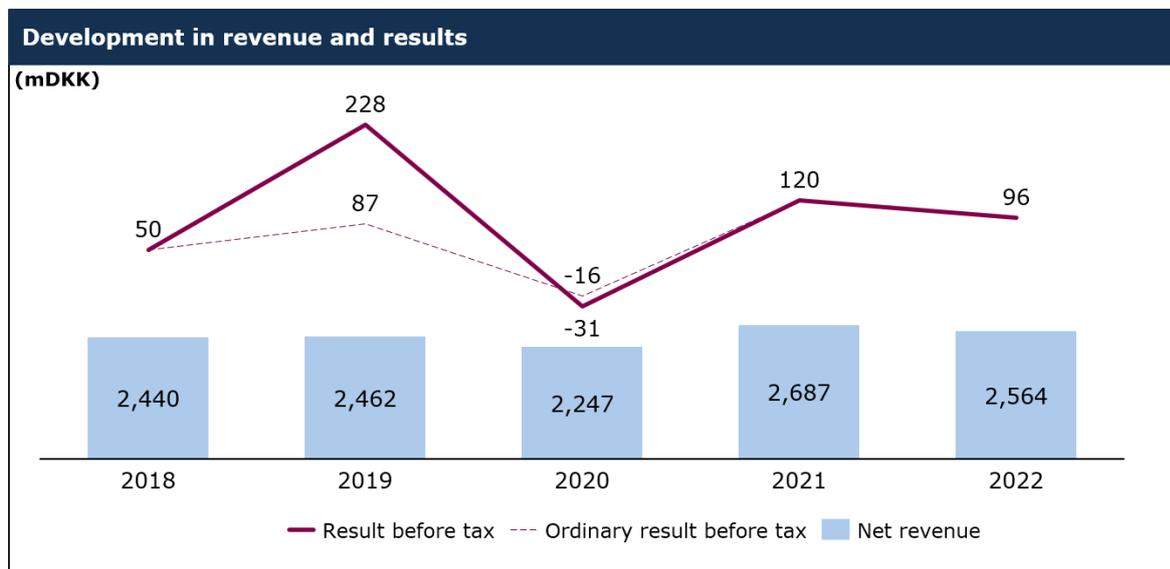
Niels Ole Møller

Sara Biilmann Egede

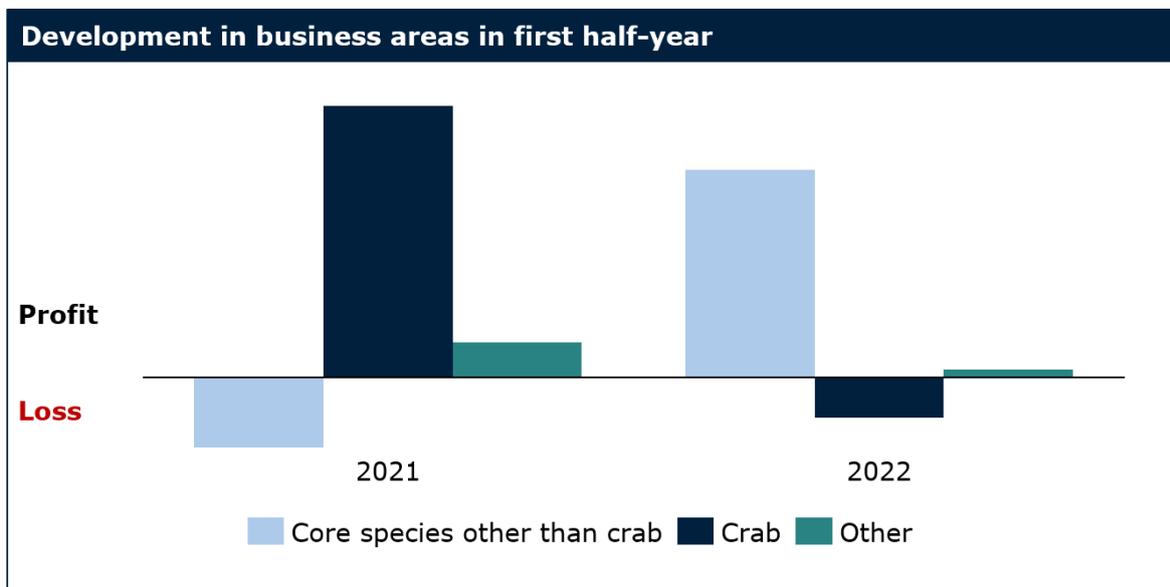
Johan Berthelsen

Royal Greenland achieves a fine interim result despite significant challenges in the snow crab market

With a profit from primary operations before the sale of trawlers of DKK 96 million, Royal Greenland achieved the second-best ever interim result. The interim result for 2019 included a profit of DKK 141 million concerning the sale of two trawlers.



The result is buoyed up by the core species shell-on prawns, cooked & peeled prawns, Greenland halibut and cod, but challenged by an abnormally poor market for snow crab in North America.



Prawns, Greenland halibut and cod maintain the regained momentum as from autumn 2021. This development is driven by increasing sales prices, which are approaching pre-Covid-19 levels. The profit from primary operations before the sale of trawlers is DKK 25 million lower than the record year in 2021 but is an improvement of DKK 9 million compared to the “normal year” of 2019.

Shell-on prawns continue the positive development despite our decision to withdraw from the Russian market. In isolated terms, Russia saw a decline in sales of 1,600 tonnes, but this is offset by very positive performance in Scandinavia and China. However, the significantly increased energy costs are a challenge for the category.

Cooked & peeled prawns regained momentum in the last part of 2021. The category was severely affected by Covid-19 as a consequence of the closure of the markets in Europe and a resulting continued decline in sales prices but shows a significant increase in 2022. However, sales prices have not yet reached pre-Covid-19 levels.

Similarly, sales of Greenland halibut were challenged by Covid-19 in Asia in 2021, including logistical challenges, but we can now see good demand in Asia and increasing sales prices. Overall, the category is thus experiencing major growth in 2022, but Covid-19 continues to haunt China in particular.

The first half-year is the major sales season for Frozen-at-Sea cod (trawler products), and increasing sales prices have resulted in sound earnings on these products. The land-based products are primarily produced during the summer period and the second half-year.

Unlike the other core species, snow crab is highly challenged. The category has performed particularly well over the last two years, based on a strong market in North America, with increasing sales prices as a result.

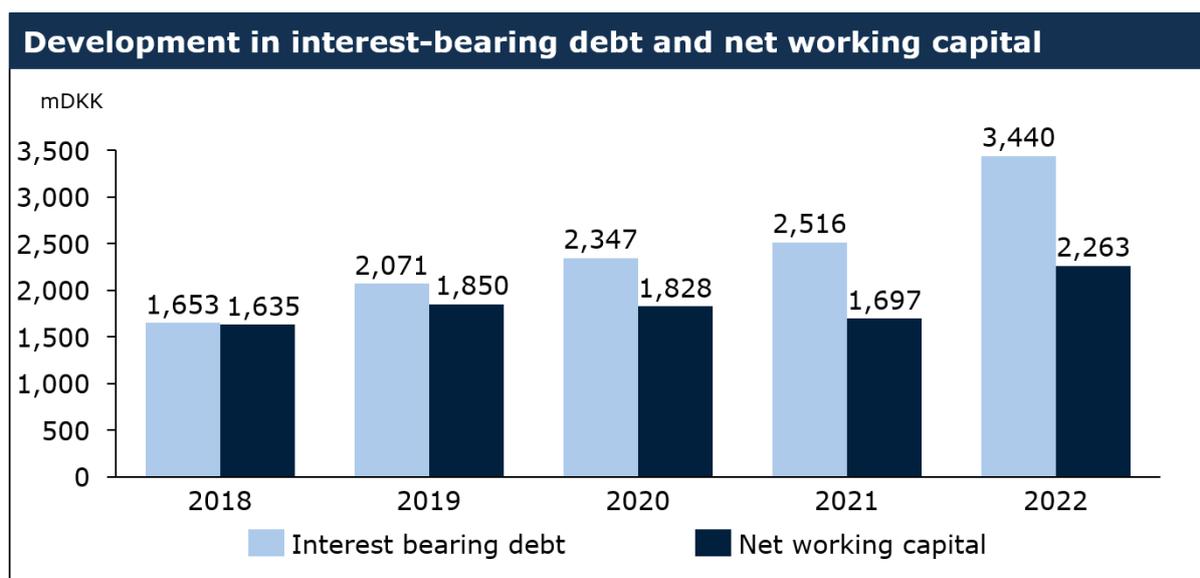
The 2022 season is unusual, however, as the market has slowed down abruptly, resulting in sharply falling sales prices. The effect was reinforced by continued American imports of Russian crab, which did not stop until 23 June.

In addition, there has been a change of behaviour among traders, retail and foodservice customers. Unlike previously, they are stockpiling significantly less, so that producers have built up large stocks during the season.

This has brought lags in snow crab sales: While most sales usually take place in May, June and July, this year's sales are in the second half-year. As from the beginning of August, the market has really picked up, but unfortunately at low sales prices.

Snow crab stockpiling also imposes a liquidity burden, but the strategy is to follow the market in price terms and to reduce stocks so that major stock positions are not carried into 2023. This will confine the lower earnings on snow crab to 2022.

Royal Greenland's net profit for the first six months amounts to DKK 81 million, compared to DKK 58 million for the same period last year. Dividend was paid in June, compared to July last year, which gives an accrued tax saving in the first half-year.



As a consequence of the larger snow crab stocks, working capital increased by DKK 677 million, which imposes a higher liquidity burden.

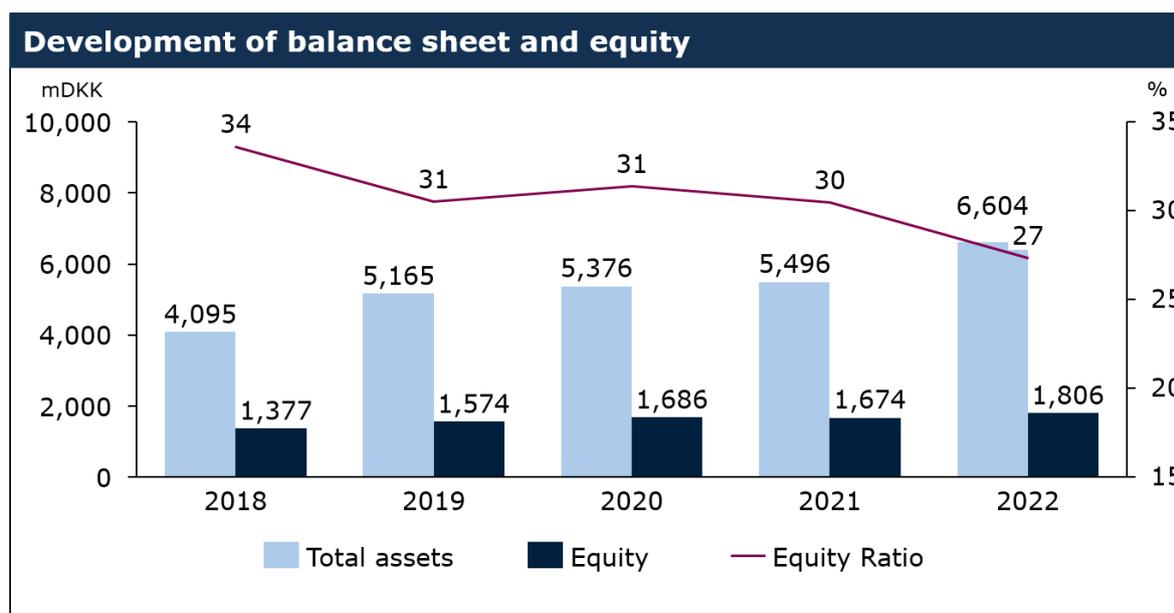
Interest-bearing debt thus increased by DKK 900 million compared to the same period last year. This development reflects the market situation for snow crab in North America, as well as planned trawler and factory investments in Greenland and Newfoundland. The company has one trawler newbuilding in progress. We have not yet definitively decided to replace m/tr Akamalik, but if this is adopted, Royal Greenland’s entire offshore trawler fleet will then have been replaced and fully optimised for fishing in many years to come.

The company’s liquidity situation is under control and will normalise in the second half-year in step with the achievement of the deferred snow crab sales.

Repayment of USPP loans for DKK 485 million in the autumn will take place according to plan.

The interest-bearing debt is expected to be approximately DKK 2.5 billion at the end of the year.

Equity amounts to DKK 1.8 billion, with an equity ratio of 27%.



Expected performance of the company

Due to the challenges in the North American snow crab market, the profit from primary operations before tax is not expected to reach the record level in 2021. Based on the development in the other core species, however, the profit level from before Covid-19 can be expected to be reached.

We thus expect sound sales of Greenland halibut and shell-on prawns to Asia in the major sales season during the autumn, as well as continued positive development for cooked & peeled prawns.

As always, the general development in the world economy is a significant uncertainty factor.

Despite the temporary burden on liquidity because of the accumulation of crab stocks, financial resources remain strong.

Financial highlights for the Group

H1

(DKKm)	2022	2021	2020	2019	2018
Result					
Revenue	2,564	2,687	2,247	2,462	2,440
EBITDA	208	220	68	320	141
EBIT	121	140	(17)	248	65
Profit before tax	96	120	(31)	228	50
Profit for the period	81	58	(39)	141	13
Balance sheet					
Fixed assets	3,340	2,821	2,781	2,252	1,705
Net working capital	2,263	1,697	1,828	1,850	1,635
Equity	1,806	1,674	1,686	1,574	1,377
Net interest-bearing debt	3,440	2,516	2,347	2,071	1,653
Total assets	6,782	5,603	5,660	5,300	4,122
Investments in property, plant and equipment	149	116	63	391	133
Ratios in %					
EBITDA margin	8.1	8.2	3.0	13.0	5.8
EBIT margin	4.7	5.2	(0.7)	10.1	2.7
EBT margin	3.7	4.5	(1.4)	9.3	2.0
ROIC including goodwill	5.2	6.6	(1.4)	13.9	3.5
Return on equity (ROE)	11.5	9.0	(2.8)	19.6	3.2
Equity ratio	27.4	30.5	31.4	30.5	33.6

Statement of income

	H1 2022	H1 2021	2021
Revenue	2,564,398	2,687,215	5,638,063
Changes in inventories of finished goods	886,452	191,348	(107,784)
Other operating income	34,707	33,872	102,386
	3,485,557	2,912,435	5,632,665
Costs of raw materials and consumables	(2,155,797)	(1,725,759)	(3,089,937)
Other external expenses	(559,047)	(467,429)	(933,891)
Personnel costs	(581,805)	(513,947)	(1,084,309)
Write-offs/write-downs	(87,650)	(80,537)	(213,981)
Other operating costs	0	(1,180)	(1,702)
Operating profit	101,258	123,583	308,845
Profit from investments in associates after tax	19,518	16,071	35,187
Financial income	10,996	7,229	63,219
Financial expenses	(36,030)	(26,842)	(81,323)
Profit before tax	95,742	120,041	325,928
Tax on the profit for the year	7,656	(46,524)	(68,999)
Profit after tax	103,398	73,517	256,929
The Group result can therefore be distributed as follows:			
Shareholders in Royal Greenland A/S	81,386	58,063	225,756
Minority interests	22,012	15,454	31,173
PROFIT FOR THE PERIOD	103,398	73,517	256,929

Balance sheet

(DKK 1,000)

Assets	30.06.2022	30.06.2021	31.12.2021
Intangible fixed assets	177,846	214,185	159,505
Buildings	427,433	397,430	434,582
Production plant and machinery	244,894	244,146	258,626
Vessels	1,302,728	978,298	1,335,036
Other fixtures and fittings, tools and equipment	23,042	22,921	23,532
Fixed assets under construction	182,211	365,588	53,858
Tangible fixed assets	2,180,308	2,008,383	2,105,634
Investments in associates	215,236	189,847	229,870
Receivables from associates	227,580	102,115	113,447
Derivative financial instruments	177,441	107,444	131,328
Other financial fixed assets	407,552	198,609	292,827
Financial fixed assets	1,027,809	598,015	767,472
FIXED ASSETS	3,385,963	2,820,583	3,032,611
Inventories	2,388,287	1,711,083	1,459,618
Receivables from sales	733,568	824,741	905,495
Receivables from associates	13,428	5,809	9,684
Other receivables	42,946	14,287	54,618
Deferred tax assets	57,992	90,940	94,098
Corporate tax receivable	57,625	0	3,623
Accruals	27,420	18,265	16,556
Receivables	932,979	954,042	1,084,074
Cash and cash equivalents	74,413	117,281	188,391
CURRENT ASSETS	3,395,679	2,782,406	2,732,083
ASSETS	6,781,642	5,602,989	5,764,694

Balance sheet

(DKK 1,000)

Liabilities	30.06.2022	30.06.2021	31.12.2021
Share capital	850,000	850,000	850,000
Retained earnings	956,048	763,987	834,544
Proposed dividend	0	60,000	112,878
Shareholders in Royal Greenland A/S' share of equity	1,806,048	1,673,987	1,797,422
Minority interests	219,198	191,940	213,184
TOTAL EQUITY	2,025,246	1,865,927	2,010,606
Deferred tax	105,971	104,239	79,887
Other provisions	15,441	15,135	10,128
PROVISIONS	121,412	119,374	90,015
Other credit institutions	1,873,500	2,265,540	1,895,410
Other long-term debt	71,128	75,438	0
Derivative financial instruments	0	17,667	0
Long-term liabilities	1,944,628	2,358,645	1,895,410
Current portion of long-term debt	492,599	73,806	493,403
Credit institutions	1,254,618	308,112	213,366
Suppliers of goods and services	554,884	530,366	502,409
Debt to associated companies	121,842	69,401	137,754
Corporate tax	25,727	32,118	53,516
Other debt	215,825	235,573	358,615
Accruals	24,861	9,667	9,600
Short-term liabilities	2,690,356	1,259,043	1,768,663
LIABILITIES	4,634,984	3,617,688	3,664,073
LIABILITIES	6,781,642	5,602,989	5,764,694

Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Proposed dividend	Total	Minority interests	Equity Total
Equity on 31 December 2020	850,000	673,758	60,000	1,583,758	196,635	1,780,393
Exchange rate adjustments	0	36,924	0	36,924	0	36,924
Fair value adjustment	0	(4,758)	0	(4,758)	0	(4,758)
Dividends paid	0	0	0	0	(20,149)	(20,149)
Profit for the period	0	58,063	0	58,063	15,454	73,517
Equity on 30 June 2021	850,000	763,987	60,000	1,673,987	191,940	1,865,927
Method	0	0	0	0	1,752	1,752
Exchange rate adjustments	0	15,592	0	15,592	474	16,066
Fair value adjustment	0	(1,704)	0	(1,704)	0	(1,704)
Tax on fair value adjustments	0	1,854	0	1,854	0	1,854
Dividends paid	0	0	(60,000)	(60,000)	3,299	(56,701)
Profit for the period	0	54,815	112,878	167,693	15,719	183,412
Equity on 31 December 2021	850,000	834,544	112,878	1,797,422	213,184	2,010,606
Exchange rate adjustments	0	47,141	0	47,141	0	47,141
Fair value adjustment	0	(7,023)	0	(7,023)	0	(7,023)
Dividends paid	0	0	(112,878)	(112,878)	(15,998)	(128,876)
Profit for the period	0	81,386	0	81,386	22,012	103,398
Equity on 30 June 2022	850,000	956,048	0	1,806,048	219,198	2,025,246

Cash flow statement

(DKK 1,000)	H1 2022	H1 2021	2021
Profit for the period	81,386	58,063	256,929
Adjustments to the annual profits	88,426	138,492	228,501
Change in working capital	(811,852)	(64,950)	161,426
Cash flow for operations prior to financial items	(642,040)	131,605	646,856
Payments in connection with financial items	58,136	20,480	48,070
Payouts in connection with financial items	(43,053)	(21,651)	(51,974)
Cash flow from ordinary activities	(626,957)	130,434	642,952
Tax paid	(67,225)	(74,647)	(108,546)
Cash flow from operating activities	(694,182)	55,787	534,406
Purchase and sale of intangible and tangible fixed assets	(142,034)	(119,647)	(251,401)
Purchase and sale of financial fixed assets	(97,693)	(11,027)	(69,143)
Dividend received from associates	0	0	9,503
Cash flow from investment activities	(239,727)	(130,674)	(311,041)
Inclusion of/(instalments on) long-term debt	2,301	(5,795)	(83,242)
Debt displacement on credit facilities	946,506	47,769	(46,977)
Dividends paid	(112,878)	0	(60,000)
Sales to minority interests	0	0	1,752
Dividends paid out over the year to minority interests	(15,998)	(20,149)	(16,850)
Cash flow from financing activities	819,931	21,825	(205,317)
Change in cash and cash equivalents	(113,978)	(53,062)	18,048
Cash and cash equivalents at start of year	188,391	170,343	170,343
Cash and cash equivalents at the end of the period	74,413	117,281	188,391

Company details

The Company

Royal Greenland A/S

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Business Registration (CVR) no. 13645183

Financial year: 1 January – 31 December

Registered office: Kommuneqarfik Sermersooq

Company

The Government of Greenland owns all shares in the

Board

Maliina Abelsen, Chair

Niels Harald de Coninck-Smith, Vice Chair

Jesper Højer

Susanne Christensen

Johannes Jensen

Arranguaq Holm Olsen

Niels Ole Møller *)

Sara Biilmann Egede *)

Johan Berthelsen *)

*) Elected by the employees

Executive Board

Mikael Thinghuus, CEO

Nils Duus Kinnerup, CFO

Bruno Olesen, Group Sales and Marketing Director

Lars Nielsen, Group Production Director

Auditors

EY Grønland Godkendt Revisionsanpartsselskab

Group chart

