

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

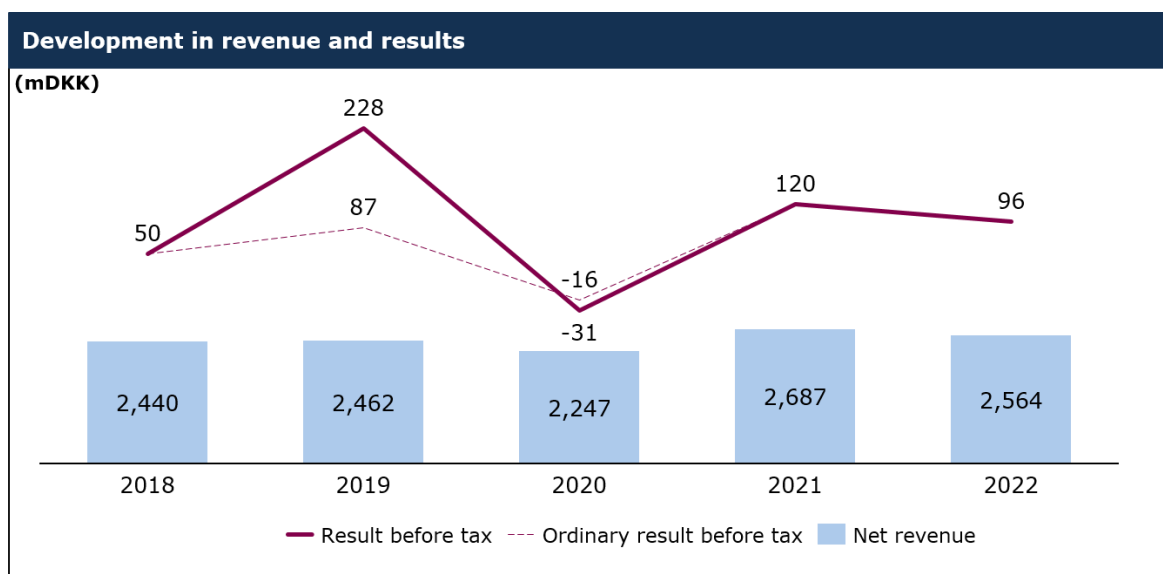
Niels Ole Møller

Sara Biilmann Egede

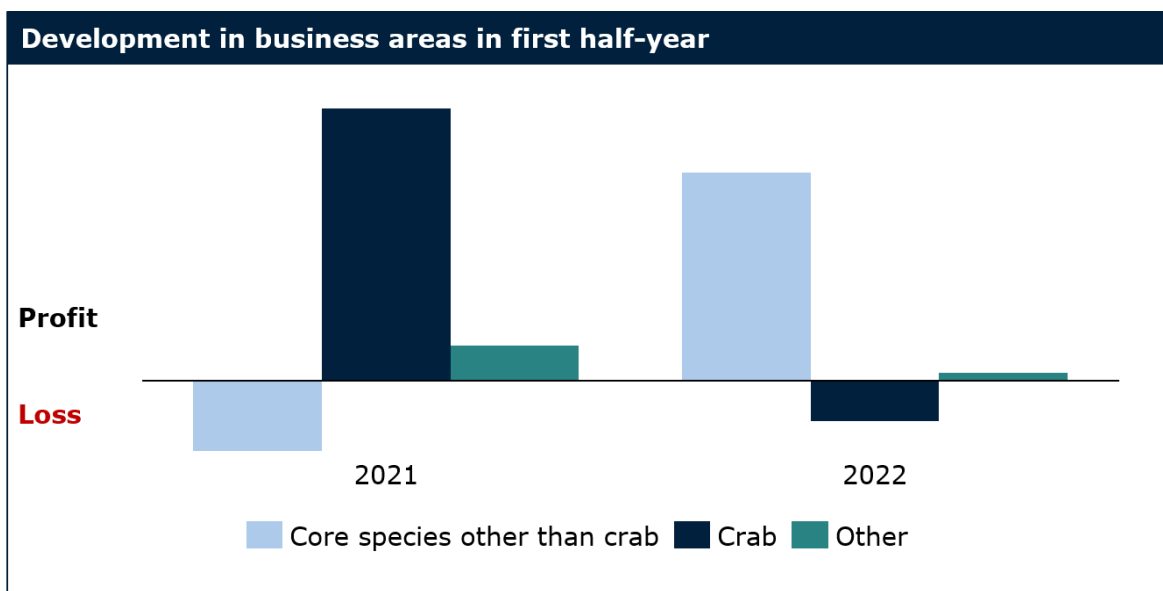
Johan Berthelsen

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.

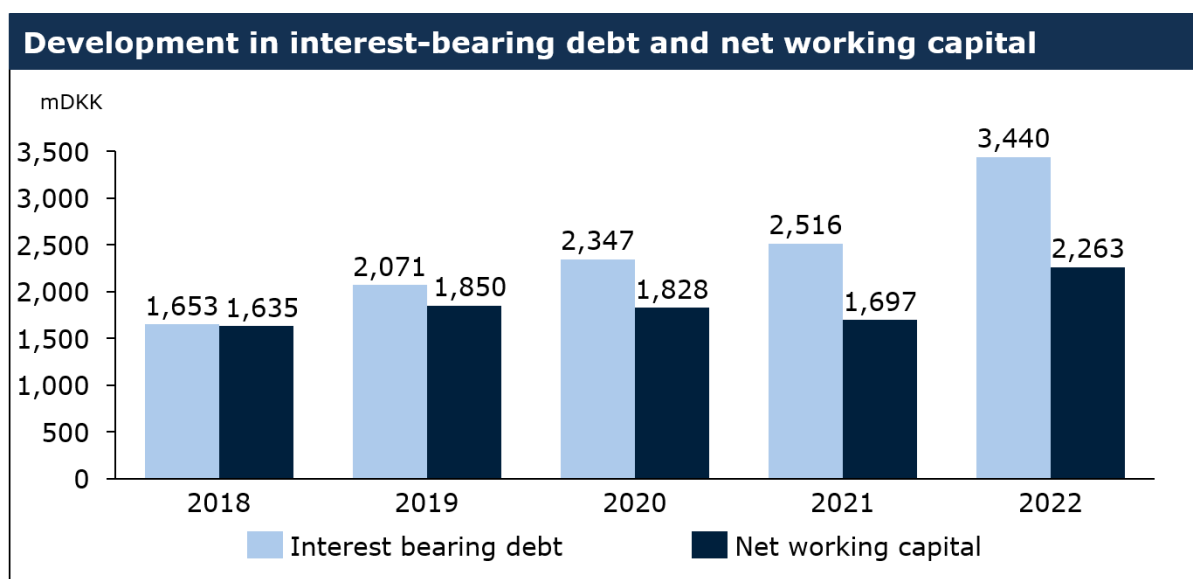
The 2022 season is unusual, however, as the market has slowed down abruptly, resulting in sharply falling sales prices. The effect was reinforced by continued American imports of Russian crab, which did not stop until 23 June.

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.

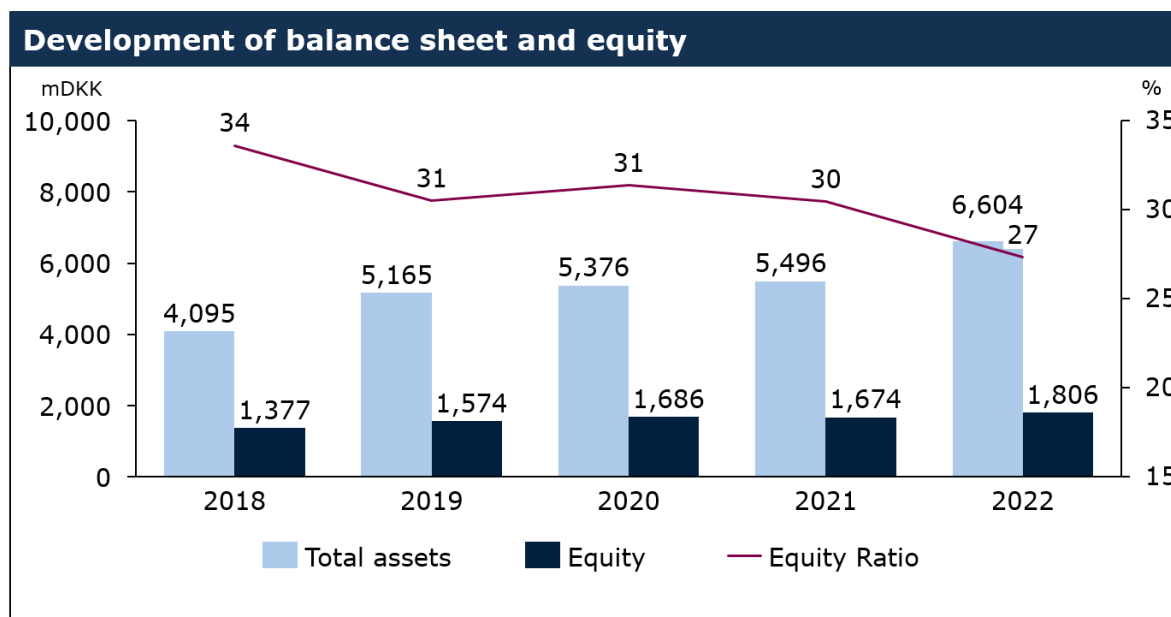
Interest-bearing debt thus increased by DKK 900 million compared to the same period last year. This development reflects the market situation for snow crab in North America, as well as planned trawler and factory investments in Greenland and Newfoundland. The company has one trawler newbuilding in progress. 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

| (DKKkm) | 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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Website: www.royalgreenland.gl/www.royalgreenland.com

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

Arnanguaq 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

