

Royal Greenland A/S

Interim Report

1 January 2024 – 30 June 2024

CVR: 13645183

Royal Greenland A/S

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Table of Contents

	<u>Page</u>
Statement by the Management on the Interim Report	3
Management's review	4
The company's expected performance	8
Financial highlights and key ratios for the Group	9
Income statement	10
Balance sheet	11
Statement of changes in equity	13
Cash flow statement	14
Company details	15
Group overview	16

Statement by the Management on the Interim Report

We have today presented the interim report at 30 June 2024 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, 2 September 2024

Executive Board

Susanne Arfelt Rajamand

Nils Duus Kinnerup

Lars Nielsen

Bodil Marie Damgaard

Supervisory Board

Maliina Abelsen

Niels Søren Thomsen

Preben Sunke

Janne Moltke-Leth

Karsten Høy

Arnanguaq Holm Olsen

Johan Berthelsen

Niels Ole Møller

Sara Biilmann Egede

Royal Greenland has launched the “Back-to-Black” turnaround plan

Based on performance in 2023, in spring 2024 Royal Greenland launched the “Back-to Black” turnaround plan.

The ambition is to implement revenue and cost improvements for at least DKK 100 million with full effect by 2025.

The plan includes:

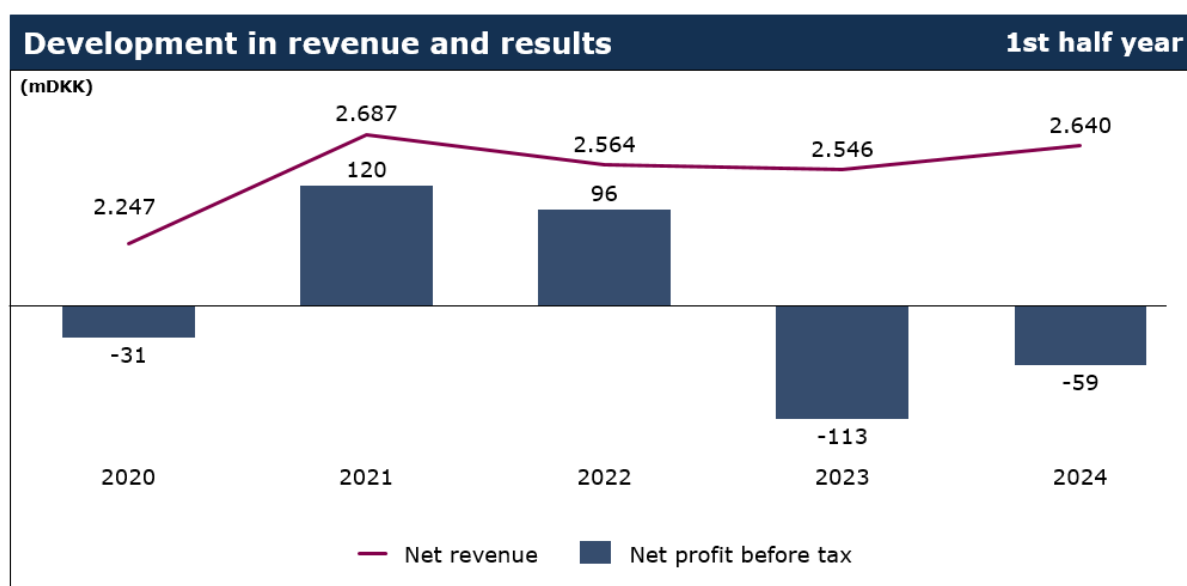
1. A general staff reduction by 100 people, primarily in Europe
2. Establishment of a central sales support centre in Poland
3. Procurement savings on product groups other than raw materials
4. Reduction of production labour costs
5. Stock reduction
6. Optimisation of logistics costs
7. Closure of selected processing plants and activities
8. Optimisation of the Greenland infrastructure on the processing plant side

The initiatives have been launched, employees have been dismissed and the service centre in Poland is being established.

The aim is to bring Royal Greenland’s earnings back to an EBIT margin of 5%, equivalent to a profit before tax of DKK 200-250 million.

This will take 3-4 years, however, and the short-term “Back-to-Black” plan will be followed up by actual business development within Royal Greenland’s core species of cold-water prawns, Greenland halibut, snow crab and Greenland cod, where Royal Greenland’s international market position for cold-water prawns, Greenland halibut and snow crab in particular will be utilised.

Royal Greenland increased its revenue by 3.7%, but the interim result before tax amounts to DKK (59) million. The interim financial statements are not considered to be satisfactory, but results from the action plans launched are expected to have an impact in the second half of the year.



The result is affected negatively by DKK (90) million compared to last year as a consequence of lower earnings from the pelagic activity due to failure to set a capelin quota in 2024, and also by negative adjustment of indirect production costs for stock as a consequence of a stock reduction of DKK 0.5 billion. The latter accounts for around half of the negative impact.

The core species are improving, and cooked & peeled prawns and snow crab in particular are developing positively.

Cooked & peeled prawns are a distinctly European product that in 2023 was severely affected by the market slowdown in Europe, including consumers turning away from luxury products in favour of more basic products, stagnation in Europe and the crisis in the UK. Yet we still managed to reverse the trend by increasing sales and maintaining relative earnings. The primary markets are Scandinavia, Germany and the UK.

As a consequence of Brexit, a free trade agreement between Greenland and the UK still remains a long way off.

As expected, snow crab, primarily based in Atlantic Canada, performed positively in 2024 after some difficult years in 2022 and 2023. 2022 was affected by very high raw material prices coupled with a weak to declining market, while 2023 was still affected by low sales prices and a late start to the season as a consequence of strikes among fishermen.

As expected, fisheries, the market and earnings have almost returned to normal in 2024, which is the background to an increase in snow crab earnings. In addition, the Japanese market is also on the way back to positive figures after Russian snow crab imports spoilt the market in 2023. This positive development also affects sales of Greenland snow crab.

Greenland halibut and cod are at the same level as in the first half of 2023.

Greenland halibut is sold primarily to Asia. Although sales are lower, this to a greater extent reflects how quickly winter fishing stocks in Greenland can be emptied. Better earnings for the trawler-based products compensate for the lower volumes.

The main sales season for Greenland halibut is autumn, in connection with sales up to Chinese New Year.

Cod as a category was severely affected in autumn 2023, in particular as a consequence of cheap Russian cod in Europe. This had a negative impact on both sales and sales prices.

After a first quarter with low sales prices, the market has rallied with increasing sales volumes and sales prices as a result. The category is therefore at the same performance level as the first half of 2023.

The larger volumes also include sales from the new cod quota in East Greenland fished in autumn 2023. As part of the quota allocation agreement, Royal Greenland is constructing a processing plant in Tasiilaq to increase the coastal fishing activity in East Greenland.

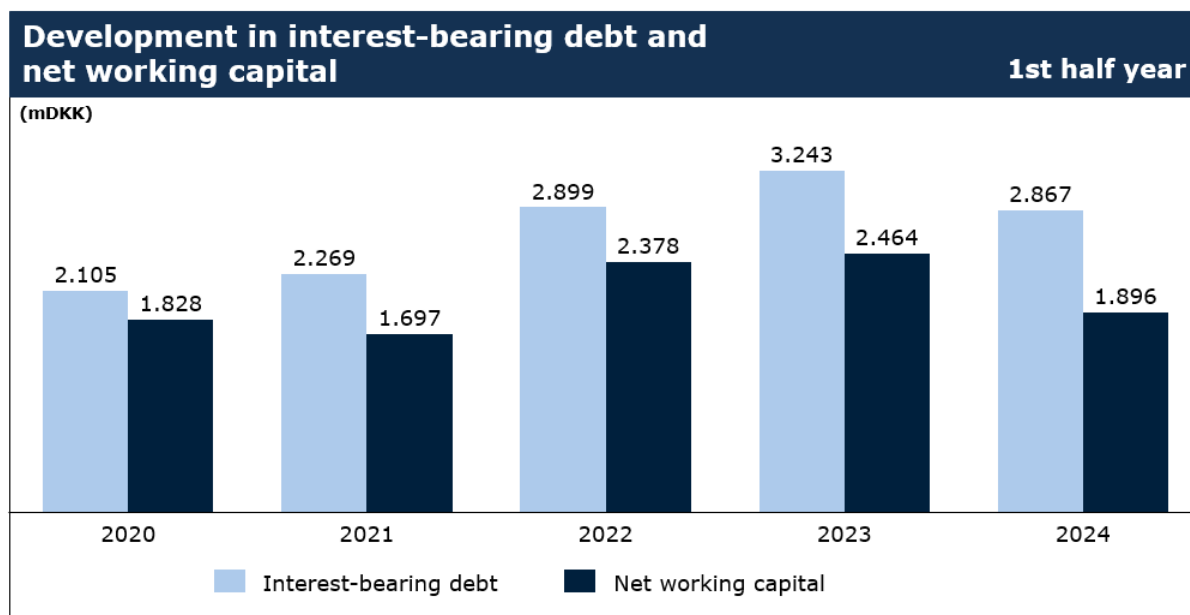
Peeled prawns reflect a decline as a result of lower sales. This development is primarily due to lower catch rates in Greenland and thereby lower volumes available for sale. However, fisheries have shown an upswing recent months. In market terms, the sales decline affects both China and Scandinavia.

The associated companies in Chile are following the new business plan after the massive challenges affecting the activity in 2023. It should be noted that the king crab season is in the second half of the year, when earnings are made.

The Chinese joint venture Beiyang Jiamei is challenged by the slowdown in the Chinese economy, while the Canadian associates A&L Seafoods and QBML are performing positively as a result of good development for snow crab.

Royal Greenland's net result for the first six months amounts to DKK (74) million, compared to DKK (107) million for the same period last year.

Balance sheet and liquidity



“Back-to-Black” focuses not only on operating income, but also on the development in working capital and net interest-bearing debt.

The objective for the year is to reduce working capital by DKK 500 million and net interest-bearing debt by DKK 450 million.

As at 30 June 2023, working capital amounted to DKK 1,896 million, equivalent to a reduction of DKK 568 million. Stocks alone were reduced by DKK 527 million and the decline is spread across a number of categories.

Net interest-bearing debt decreased by DKK 376 million to DKK 2.9 billion.

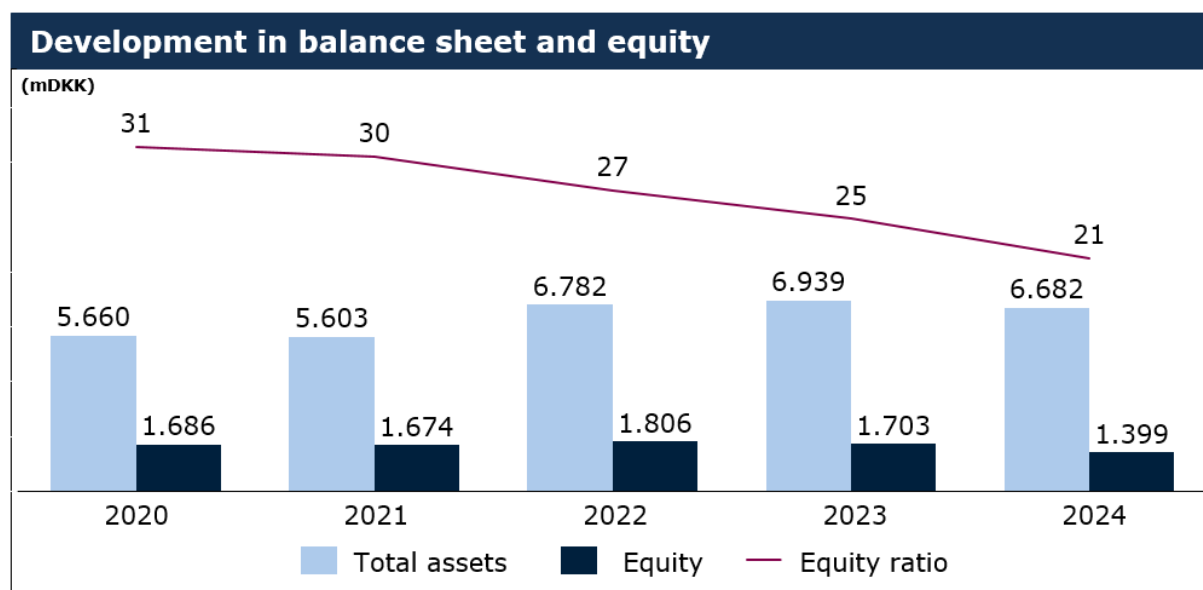
Both key figures on the balance sheet are thus performing well and are in line with the objectives.

The investments made total DKK 138 million, of which the ongoing prawn trawler construction accounts for DKK 73 million. The trawler will be delivered in Q1 2025, after which Royal Greenland’s primary ocean-going trawler fleet will have been replaced and top-tuned for fishing for many years to come.

A new private placement loan of USD 50 million was taken out in the spring.

Net interest-bearing debt of approximately DKK 2.5 billion at year-end is expected.

Equity capital amounts to DKK 1.4 billion, with an equity ratio of 21%.



Expected performance of the company

Royal Greenland continues to be operationally affected by a number of factors such as:

- Stagnant to low growth in Europe
- A difficult market in the UK due to the consequences of Brexit
- Lower growth in Asia, particularly in China
- A higher cost level
- A generally more uncertain world and uncertain markets, among other things as a result of Russia's invasion of Ukraine and potential trade conflicts

The outlook for the second half of the year continues to be a positive operating result. In this context, it should be remembered that "Back-to-Black" will only have a limited effect in 2024.

The outlook for the second half-year is based on:

- Uncertainty about shell-on prawn catch rates and the Chinese market's performance, cf. the economic development in China
- Lower quantities of cooked & peeled prawns due to the loss of the *Lomur* trawler, and fewer industrial prawns for peeling (cf. the catch rates for shell-on prawns). Added to this is the lack of earnings from the trawler *Lomur*. Work is underway to find a replacement ship, but the possibilities are limited.
- Uncertainty concerning mackerel fishing in the pelagic activity, where the *Tassilaq* trawler only returned to operation in mid-August after an accident at the beginning of July.

Financial highlights for the Group

H1

(DKKkm)	2024	2023	2022	2021	2020
Result					
Revenue	2,640	2,546	2,564	2,687	2,247
EBITDA	91	42	208	220	68
EBIT	(11)	(61)	121	140	(17)
Profit before tax	(59)	(113)	96	120	(31)
Net profit for the period	(74)	(107)	81	58	(39)
Balance sheet					
Fixed assets	3,769	3,609	3,386	2,821	2,781
Net working capital	1,896	2,464	2,378	1,697	1,828
Equity	1,399	1,703	1,806	1,674	1,686
Net interest-bearing debt	2,867	3,243	2,899	2,269	2,105
Total assets	6,682	6,939	6,782	5,603	5,660
Investments in property, plant and equipment	138	248	149	116	63
Ratios in %					
EBITDA margin	3.5	1.7	8.1	8.2	3.0
EBIT margin	(0.4)	(2.4)	4.7	5.2	(0.7)
EBT margin	(2.2)	(4.4)	3.7	4.5	(1.4)
ROIC including goodwill	(0.2)	(2.4)	5.2	6.6	(1.4)
Return on equity (ROE)	(8.0)	(10.2)	11.5	9.0	(2.8)
Equity ratio	21.2	24.8	27.4	30.5	31.4

Income statement

	H1 2024	H1 2023	2023
Revenue	2,640,232	2,546,319	5,795,658
Changes in inventories of finished goods	67,465	323,793	(165,220)
Other operating income	94,298	41,269	68,005
	2,801,995	2,911,381	5,698,443
Costs of raw materials and consumables	(1,560,251)	(1,598,485)	(3,178,510)
Other external expenses	(583,529)	(657,494)	(1,110,612)
Staff costs	(567,260)	(614,084)	(1,272,000)
Depreciation, amortisation and impairment losses	(102,707)	(103,275)	(215,408)
Other operating costs	(14)	(43)	(2,623)
Operating profit	(11,766)	(62,000)	(80,710)
Profit/loss from investments in associates after tax	418	832	(56,116)
Financial income	49,626	24,157	126,719
Financial expenses	(96,831)	(76,141)	(245,182)
Profit before tax	(58,553)	(113,152)	(255,289)
Tax on the profit for the year	(4,736)	23,048	44,489
Profit after tax	(63,289)	(90,104)	(210,800)
The Group's result is distributed as follows:			
Shareholders of Royal Greenland A/S	(74,386)	(107,115)	(258,713)
Minority interests	11,097	17,011	47,913
PROFIT FOR THE PERIOD	(63,289)	(90,104)	(210,800)

Balance sheet

(DKK 1,000)

Assets	30.06.2024	30.06.2023	31.12.2023
Intangible assets	91,890	110,782	114,367
Buildings	436,243	463,610	474,909
Production plant and machinery	202,634	243,692	270,470
Vessels	1,312,145	1,346,766	1,345,433
Other fixtures and fittings, tools and equipment	25,194	29,895	28,240
Fixed assets under construction	452,865	302,423	340,188
Property, plant and equipment	2,429,081	2,386,386	2,459,240
Investments in associates	156,080	221,271	247,674
Receivables from associates	331,908	289,664	322,692
Derivative financial instruments	79,784	73,340	60,846
Other financial fixed assets	679,829	527,301	494,326
Financial fixed assets	1,247,601	1,111,576	1,125,538
FIXED ASSETS	3,768,572	3,608,744	3,699,145
Inventories	1,720,048	2,242,651	1,727,675
Trade receivables	613,616	766,096	801,392
Receivables from associates	140,459	37,341	9,701
Other receivables	87,553	31,138	45,528
Deferred tax assets	167,376	65,584	131,193
Corporate tax receivable	12,082	75,679	7,194
Prepayments	40,183	39,049	22,455
Receivables	1,061,269	1,014,887	1,017,463
Cash and cash equivalents	132,007	72,929	38,354
CURRENT ASSETS	2,913,324	3,330,467	2,783,492
ASSETS	6,681,896	6,939,211	6,482,637

Balance sheet

(DKK 1,000)

Equity and liabilities	30.06.2024	30.06.2023	31.12.2023
Share capital	850,000	850,000	850,000
Retained earnings	548,868	780,022	631,466
Proposed dividend	0	73,042	0
Shareholders of Royal Greenland A/S' share of equity	1,398,868	1,703,064	1,481,466
Minority interests	262,309	229,758	269,292
TOTAL EQUITY	1,661,177	1,932,822	1,750,758
Deferred tax	123,008	104,138	72,678
Other provisions	17,864	17,817	9,994
PROVISIONS	140,872	121,955	82,672
Other credit institutions	2,746,506	2,522,436	2,540,789
Other long-term debt	39,666	45,646	19,738
Derivative financial instruments	7,774	10,216	9,870
Long-term liabilities	2,793,946	2,578,298	2,570,397
Current portion of long-term liabilities	133,240	6,840	10,778
Credit institutions	1,066,911	1,505,713	1,165,179
Trade payables	460,507	472,836	435,685
Debt to associated companies	121,802	60,505	115,584
Corporate tax	45,292	17,122	22,996
Other debt	252,674	234,498	319,555
Deferred income	5,475	8,622	9,033
Short-term liabilities	2,085,901	2,306,136	2,078,810
LIABILITIES	4,879,847	4,884,434	4,649,207
EQUITY AND LIABILITIES	6,681,896	6,939,211	6,482,637

Statement of changes in equity

DKK 1,000	Share capital	Retained earnings	Proposed dividend	Total	Minority interests	Equity in total
Equity at 31 December 2022	850,000	905,886	73,042	1,828,928	233,184	2,062,112
Exchange rate adjustment	0	(11,883)	0	(11,883)	(437)	(12,320)
Fair value adjustment	0	(6,866)	0	(6,866)	0	(6,866)
Dividends paid	0	0	0	0	(20,000)	(20,000)
Net profit for the period	0	(107,115)	0	(107,115)	17,011	(90,104)
Equity at 30 June 2023	850,000	780,022	73,042	1,703,064	229,758	1,932,822
Addition	0	0	0	0	604	604
Exchange rate adjustment	0	(2,599)	0	(2,599)	313	(2,286)
Fair value adjustment	0	(6,966)	0	(6,966)	0	(6,966)
Tax on fair value adjustment	0	3,458	0	3,458	0	3,458
Capital adjustment	0	9,149	0	9,149	7,715	16,864
Dividends paid	0	0	(72,042)	(73,042)	0	(73,042)
Net profit for the period	0	(151,598)	0	(151,598)	30,902	(120,696)
Equity at 31 December 2023	850,000	631,466	0	1,481,466	269,292	1,750,758
Exchange rate adjustment	0	(9,499)	0	(9,499)	480	(9,019)
Fair value adjustment	0	1,287	0	1,287	0	1,287
Dividends paid	0	0	0	0	(18,560)	(18,560)
Net profit for the period	0	(74,386)	0	(74,386)	11,097	(63,289)
Equity at 30 June 2024	850,000	548,868	0	1,398,868	262,309	1,661,177

Cash flow statement

(DKK 1,000)	H1 2024	H1 2023	2023
Net profit for the period	(74,386)	(107,115)	(210,800)
Adjustments relating to the net profit for the year	141,032	120,918	337,679
Change in working capital	16,133	(76,265)	628,738
Cash flow from operations before financial items	82,779	(62,462)	755,617
Payments in connection with financial items	27,308	16,132	43,989
Disbursements in connection with financial items	(82,724)	(86,867)	(223,715)
Cash flow from ordinary activities	27,363	(133,197)	575,891
Refunded or paid tax	4,118	35,648	53,971
Cash flow from operating activities	31,481	(97,549)	629,862
Purchase of intangible assets and property, plant and equipment	(49,950)	(248,444)	(424,489)
Purchase and sale of financial fixed assets	(99,120)	(66,799)	(244,789)
Dividend received from associates	0	0	5,598
Cash flow from investment activities	(149,070)	(315,243)	(663,680)
Proceeds from obtaining/(instalments on) long-term debt	328,091	(5,507)	(6,198)
Debt displacement on credit facilities	(98,289)	467,290	126,758
Dividends paid	0	0	(73,042)
Sales to minority interests	0	0	604
Dividends paid during the year to minority interests	(18,560)	(20,000)	(20,000)
Cash flow from financing activities	211,242	441,783	28,122
Change in cash and cash equivalents	93,653	28,991	(5,696)
Addition in the event of a business transfer	0	0	112
Cash and cash equivalents at the start of the period	38,354	43,938	43,938
Cash and cash equivalents at the end of the period	132,007	72,929	38,354

Company details

The Company

Royal Greenland A/S

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Website: www.royalgreenland.gl/www.royalgreenland.com

CVR (business reg. no.) 13645183

Financial year: 1 January – 31 December

Registered office: Kommuneqarfik Sermersooq

The Government of Greenland owns all shares in the

Company

Board

Maliina Abelsen, Chair

Niels Søren Thomsen, Deputy Chair

Preben Sunke

Janne Moltke Leth

Karsten Høy

Arnanguaq Holm Olsen

Johan Berthelsen*)

Niels Ole Møller*)

Sara Biilmann Egede*)

*) Elected by the employees

Executive Board

Susanne Arfelt Rajamand, CEO

Nils Duus Kinnerup, EVP & CFO

Lars Nielsen, EVP, Production

Bodil Marie Damgaard, EVP, HR & Communication

Audit EY Godkendt Revisionspartnerselskab

Group chart

Royal Greenland A/S

Royal Greenland Seafood A/S, 100%, Svenstrup		Ice Trawl Greenland A/S, 50%, Sisimiut		Associated companies
Royal Greenland Germany GmbH, 100%, Germany		Qaleralik A/S, 50%, associated, Nuuk		Akia Sisimiut A/S, 17.5%, Sisimiut
	Royal Greenland Vertriebs GmbH, 100%, Germany	Gaia Fish A/S, 44.2%, Nuuk		Angunnguaq A/S, 49.4%, Sisimiut
	Royal Fresh Fish GmbH, 40%, associated, Germany			Arctic Scallop A/S, 33.33%, Nuuk
Royal Greenland Poland Sp. Zoo, 100%,		Gaia Fish A/S, 44.2%, Nuuk		Ejendomsselskabet Suliffik A/S, 30.3%, Nuuk
Quin-Sea Fisheries Ltd., 100%, Canada				Frans Peter ApS, 43.6%, Sisimiut
	Conche Seafoods Ltd., 100%, Canada	Inughuit Seafood A/S, 50%, Qaanaaq		Isblink A/S, 49%, Paamiut
	St. Anthony Seafoods Ltd., 75%, Canada			Lennert og Sønner ApS, 40%, Sisimiut
	Quinlan Brothers Maritime Ltd., 50%, associated, Canada	Pelagic Greenland A/S, 66.7%, Nuuk		Qeqertat A/S, 49%, Nuuk
A&L Seafoods Ltd., 100%, Canada		Arctic Fish Greenland A/S, 85.3%, Nuuk		Savik ApS, 35%, Qasigiannquit
Eastern Quebec Seafoods Ltd., 100%, Canada				Sisimiut Fish A/S, 49%, Sisimiut
Royal Greenland Norway AS, 100%, Norway				
Royal Greenland Sweden AB, 100%, Sweden				
Royal Greenland UK Ltd., 100%, UK				
Royal Greenland Japan Ltd., 100%, Japan				
Royal Greenland Italy Spa., 100%, Italy				
Royal Greenland Seafood (Qingdao) Co Ltd., 100%, China				
Royal Greenland US Inc., 100%, USA				
Royal Greenland Seafood Chile SpA, 100%				
	International Seafood S.A., 50%, associated, Chile			
	Blue Ocean Seafood SpA, 50%, associated, Chile			
Øksfjord Lakseindustri AS, 100%, Norway				
Nordic Marine Nutrition ApS, 70%, Svenstrup				
Øksfjord Eiendom AS, 49%, associated, Norway				
Qingdao Beiyang Jiamei Seafood Co. Ltd., 20%, associated, China				