

# INTERIM REPORT



ROYAL  ARCTIC

2024

(CVR. NR. 16545538)



Hans Jensen

## Financial highlights

Developments in the Group can be described over a three-year period with the following financial highlights for the first half of the year:

	2024	2023	2022
<b>Income statement</b>			
Net revenue	532	502	500
Total revenue	541	530	503
Operating profit (EBIT)	(57)	(36)	(81)
Net revenue	(10)	(11)	(11)
Profit for the period before tax	(67)	(47)	(91)
Profit for the period	(50)	(35)	(67)
Dividend	0	0	0
<b>Balance sheet</b>			
Balance sheet total	1.448	1.520	1.589
Investments in tangible fixed assets	24	33	52
Net working capital	(11)	(11)	(23)
Long-term liabilities	583	637	639
Equity	586	600	643
<b>Cash flow statement</b>			
Cash flow from operating activities	(20)	(41)	(30)
Cash flow from investing activities	(17)	26	(51)
Cash flow from financing activities	9	(3)	29
Change in cash and cash equivalents	(29)	(19)	(52)
Cash at period-end	120	128	124
<b>Key ratios *</b>			
Profit margin (%)	(10,7) %	(7,1) %	(16,1) %
Return on capital (%)	(3,9) %	(2,4) %	(5,1) %
Return on equity (ROE)	(8,4) %	(5,7) %	(10,4) %
Solvency ratio (%)	40,5) %	39,5) %	40,5) %
Return on invested capital (ROIC)	(4,8) %	(2,9) %	(6,5) %
Leverage of operating assets	2,0	2,1	1,9
<b>Average number of full-time employees</b>	742	736	839
<b>Pre-tax profit/loss per employee (DKK 1,000)</b>	(90)	(64)	(109)

\* Financial ratios are calculated in accordance with the CFA Society Denmark's "Recommendations and Financial Ratios"

As from 2022, the average number of full-time employees includes trainees.

### Definitions of ratios

Profit margin (%)	=	$\frac{\text{Profit/loss before financial items X 100}}{\text{Net revenue}}$
Return on capital (%)	=	$\frac{\text{Profit/loss before financial items X 100}}{\text{Total assets}}$
Return on equity (ROE)	=	$\frac{\text{Profit for the period X 100}}{\text{Average equity}}$
Solvency ratio (%)	=	$\frac{\text{Equity at year-end X 100}}{\text{Total assets}}$
Return on invested capital (ROIC)	=	$\frac{\text{Profit/loss before financial items X 100}}{\text{Average capital invested incl. goodwill}}$
Leverage of operating assets	=	$\frac{\text{Average capital invested incl. goodwill}}{\text{Equity at year-end}}$

Net working capital is defined as inventories, receivables and other operating current assets less trade payables and other short-term operating liabilities.

Corporation tax receivable and payable as well as cash and cash equivalents are not included in net working capital.

## Management Review, First Half of 2024

### Satisfactory operating result for Royal Arctic Line A/S

Total freight volumes declined slightly by almost 1 % in the first half of the year. This decrease may be modest, but still reflects a number of significant shifts from 2023. The economic slowdown, leading to lower investment activity, together with the fact that major projects are approaching their completion, especially in Nuuk, reduced project cargo by more than 30 %. Project cargo designates cargo delivered outside the concession.

Northbound volumes increased by 9 %. The primary reason for the increase is that beer and soft drinks are now shipped across the Atlantic after Nuuk Imeq's production was discontinued. However, this is also the main reason for the 7 % decrease in coastal freight, as returnable packaging is no longer shipped to the same extent as before.

Southbound freight volumes decreased by 7 %. This is particularly due to the drop in landings of fish and shellfish by almost 20 % in the first five months of 2024, for which Statistics Greenland has published figures, compared to the same period in 2023.

Royal Arctic Line is the lifeline of Greenland's local communities to the outside world. With an ambitious sailing schedule, the company seeks to ensure supplies as early and as late in the sailing season as possible. In the first half of the year, however, supplies to eastern Greenland and southern Greenland were severely challenged by unusually large quantities of sea ice, which led to delays and increased ship operating costs, while the ships' crews struggled to reach the waiting towns and settlements.

The negative trends in the first half of 2024 did not have an equivalent negative effect on concession revenue, which, net of the bunker adjustment factor/currency adjustment factor, is 10 % above the same period in 2023. The explanation is the rate increase as of 1 January 2024, and also that the increase in northbound cargo offsets the revenue effect of lower volumes of coastal, project and northbound cargo. This is because the rates for the other freight routes are lower than for northbound cargo.

On the cost side, the total operating costs for the first half of the year are within budget. There are a number of lags, however, in particular a non-budgeted additional payment of DKK 8 million for the civil servant pension obligations incumbent on the company. The extra payment is due to the extraordinary adjustment of these obligations by DKK 8 million due to collective agreements in Denmark over which the company has no influence. Deferred consumption in the first half of the year was on around the same scale as ship operations, so that the parent company's interim result was a slight improvement on budget.

### Major challenges for Arctic Umiaq Line

In 2024, the subsidiary Arctic Umiaq Line launched a strategy aimed at ensuring coastal sailing that would support future tourism development. Profitable operations would be achieved by building up a product to attract a tourist segment with strong buying power, while continuing to offer coastal sailing to the local population. The strategy included investment in converting a number of cabins into suites, and on the marketing side the product would be supported through a partnership agreement with the Norwegian shipping company, Hurtigruten.

However, the biggest change was that the sailing schedule was adjusted to accommodate the tourist segment and the population of Nanortalik and northern Greenland. More destinations have thus been added to the route and stays in several towns have been extended to give visitors time to experience and enjoy the towns they visit. Under the changed concept, the rotation period has been extended from one week in 2023 to two weeks in 2024. However, this also means a reduction in the total number of tickets offered on the most popular legs of the route in central Greenland and Disko Bay.

It must be noted that the strategy has not borne fruit, as sales to both the local and tourist segments were significantly lower than expected. On the basis of the lower ticket sales, a total deficit of DKK 15-20 million can be expected for Arctic Umiaq Line in 2024. This can be compared with a zero result in 2023. In both years, the result recognises a service contract of DKK 8.4 million with the Government of Greenland, and the actual operating deficit is thus even higher.

The financial development in Arctic Umiaq Line is unsustainable, and a new management team has been appointed to rectify the situation as quickly as possible. The management's most important task is to create an overview of the basis for the company's continued operations and to build up realistic scenarios for the profitable continuation of the activities; or to contribute to other solutions to achieve the political goal that the population should continue to be able to choose a good and safe alternative to air travel.

The expected deficit for 2024 in Arctic Umiaq Line will be reflected in the Group's overall result.



## Financial status for the first six months

The Group's total revenue increased by DKK 11 million in the first half of 2024 compared to 2023.

Freight-related costs increased by approximately 10 % from DKK 65 million in 2023 to DKK 72 million in 2024. These costs are highly variable and relate in particular to the handling of goods in ports outside Greenland. The development in these costs is thus closely linked to the increase in northbound volumes by 9 %.

The Group's total costs for the first six months of 2024 are DKK 526 million. This corresponds to an increase of just over DKK 25 million compared to 2023.

EBITDA for the first half of 2024 ended at DKK (3) million, compared to DKK 18 million in 2023. After deduction of non-recurring income from the sale of assets in 2023, the result in 2024 is at the same level as in 2023. Profit before tax (EBT), including depreciation and financial costs, ended at DKK (67) million. This is DKK 8 million better than budgeted.

The Group's balance sheet fell from DKK 1,520 million to DKK 1,448 million. This is primarily due to the fact that no major new investments were made in 2023/24. At the end of June, the total long-term debt obligation amounted to DKK 583 million and the debt was repaid according to plan.

The Group's cash and cash equivalents amounted to DKK 120 million at the end of June 2024. In addition, the company has unused drawing rights for a total of DKK 138 million. On this basis, the company is assessed to have sufficient liquidity.

Viewed in isolation, the company's management is satisfied with the result in the parent company, but must unfortunately note that the negative development in the subsidiary Arctic Umiaq Line will mean that the consolidated result for the whole of 2024 will be negative.



## Outlook for 2024

The freight volumes in the first half of 2024 indicate a slowdown in construction and civil engineering investments. This is reflected in the northbound volumes, where an important indicator – project cargo – fell by 30 %. At the same time, export volumes were lower in the first half of 2024 compared to the same period in 2023.

Expectations of total freight volumes for the whole of 2024 have therefore been adjusted downwards by 1 %, corresponding to the drop recorded in the first half of the year.

The profit before tax for 2024 is expected to lie in the range of DKK (20) million to (15) million. The objective was a modest profit of DKK 1 million. The profit was budgeted this low to keep freight rates as steady as possible. With the prospect of a deficit for 2024, a number of concrete, short-term savings measures have therefore been implemented across the Group in order to reduce the deficit that is now to be expected.

The deterioration is due to the negative result in Arctic Umiaq Line of DKK 15-20 million and the extraordinarily high pension obligation, which affects the result negatively by DKK 8 million. The savings and prioritisation measures already implemented have resulted in total net savings of DKK 8-9 million and ensure a positive result for the delivery of the core service in the parent company, Royal Arctic Line.

In its future strategy, Royal Arctic Line will also have a sharp focus on trimming operations and thereby creating a stronger foundation for the future – with the highest possible quality and reliability in the company's core services, a financial position that gradually becomes more resilient to external influences and fluctuations in freight volumes, and a capital reserve that can ensure effective financing of the company's future investments.



# Management Statement

The Board of Directors and the Executive Board have today examined and adopted the unaudited interim report for the period 1 January – 30 June 2024 for Royal Arctic Line A/S.

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.

Nuuk, 26 July 2024

## The Executive Board of Royal Arctic Line

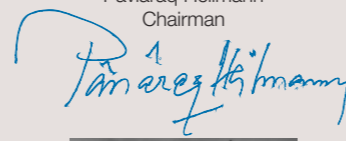
Niels Clemensen CEO      Jorgen Aqe Møller CFO      Aviäja Lyberth Lennert Deputy CEO



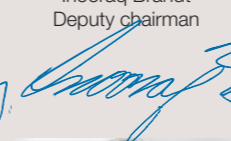

## Royal Arctic Line Board of Directors



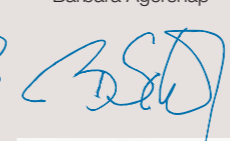
Paviaraq Heilmann  
Chairman




Inooraq Brandt  
Deputy chairman



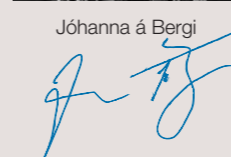

Barbara Agersnap



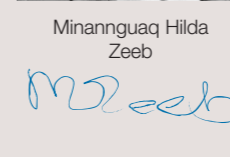

Flemming Drechsel




Jóhanna á Bergi



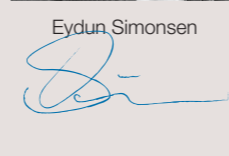

Minannguaq Hilda Zeeb



## Royal Arctic Line's employee-elected members



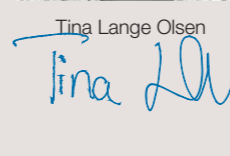
Eydun Simonsen




Laust Lindskov Vestergaard




Tina Lange Olsen




## Company information

<b>The Company</b>	Royal Arctic Line A/S, Aqqusinersuaq 52, P.O. Box 1580, 3900 Nuuk, Telephone: +299 34 91 00, E-mail: ral@ral.gl, Homepage: www.ral.gl
<b>Registration number</b>	A/S 209.527
<b>CVR. number</b>	16545538
<b>Registered</b>	Nuuk, Greenland
<b>Share capital</b>	DKK 120 million
<b>Ownership</b>	Wholly owned by the Government of Greenland, Nuuk, Greenland.
<b>Board of Directors</b>	Pâviâraq Heilmann, Chairman Inooraq Brandt, Vice Chairman Barbara Agersnap Flemming Drechsel Jóhanna á Bergi Miinanguaq Hilda Zeeb Eydun Simonsen* Laust Lindskov Vestergaard* Tina Lange Olsen* <i>* Elected by employees in 2022 for a four-year term</i>
<b>Management Group</b>	Niels Clemensen, CEO Aviâja Lyberth Lennert, Deputy CEO Jørgen Aqe Møller, CFO
<b>Auditors</b>	Grønlands Revision A/S and PricewaterhouseCoopers



## Income statement for the period 1 January to 30 June

	DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
		2024	2023	2024	2023
1	Net revenue	516.455	481.637	532.177	502.117
	Other operating income	19.745	38.983	8.807	27.988
	Cargo-related expenditure	(70.586)	(63.819)	(71.949)	(65.279)
	<b>Gross profit</b>	<b>465.614</b>	<b>456.801</b>	<b>469.034</b>	<b>464.826</b>
2	Other external expenditure	(261.608)	(246.445)	(271.140)	(255.978)
	Staff expenditure	(199.005)	(189.590)	(201.339)	(190.936)
	Amortisation, depreciation and impairment losses of fixed assets	(50.908)	(52.480)	(53.663)	(53.791)
	<b>Operating profit</b>	<b>(45.907)</b>	<b>(31.714)</b>	<b>(57.107)</b>	<b>(35.879)</b>
	Income from investments in Group companies	(8.399)	(3.426)	0	0
	Income from investments in associated companies	235	231	235	231
	Other financial income	8.838	6.990	8.863	7.128
	Other financial expenditure	(18.851)	(18.224)	(18.874)	(18.237)
	<b>Profit before tax</b>	<b>(64.084)</b>	<b>(46.143)</b>	<b>(66.883)</b>	<b>(46.757)</b>
	Tax on profit for the period	13.978	10.679	16.778	11.293
	<b>Profit for the period</b>	<b>(50.106)</b>	<b>(35.464)</b>	<b>(50.106)</b>	<b>(35.464)</b>

## Assets as at 30 June

DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>Intangible fixed assets</b>				
Software	5.751	7.234	7.575	7.234
Emission allowances	4.068	0	4.068	0
Development projects	268	106	268	1.687
<b>Total intangible assets</b>	<b>10.087</b>	<b>7.340</b>	<b>11.911</b>	<b>8.921</b>
<b>Tangible fixed assets</b>				
Ships	950.868	984.515	963.674	987.886
Buildings	47.063	51.288	47.063	51.288
Transport equipment, harbour boats, machinery, and fixtures and fittings	122.381	127.737	122.381	127.737
Assets under construction	3.816	2.838	4.120	4.832
<b>Total tangible fixed assets</b>	<b>1.124.128</b>	<b>1.166.378</b>	<b>1.137.238</b>	<b>1.171.743</b>
<b>Financial fixed assets</b>				
Investments in Group companies	18.880	27.279	0	0
Investments in associated companies	5.286	5.051	5.286	5.051
Other securities	1.011	1.012	1.011	1.012
<b>Total financial fixed assets</b>	<b>25.177</b>	<b>33.342</b>	<b>6.297</b>	<b>6.063</b>
<b>Total fixed assets</b>	<b>1.159.392</b>	<b>1.207.060</b>	<b>1.155.446</b>	<b>1.186.727</b>

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DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>Inventories and operating stock</b>				
Operating stock	22.893	14.787	23.986	15.915
<b>Total inventories and operating stock</b>	<b>22.893</b>	<b>14.787</b>	<b>23.986</b>	<b>15.915</b>
<b>Receivables</b>				
Trade receivables	108.937	99.940	109.703	100.365
Receivables from Group companies	1.767	1.532	0	0
Tax receivable	0	10	0	10
Other receivables	29.745	25.411	30.457	25.529
Prepayments	8.228	5.004	8.665	5.480
<b>Total receivables</b>	<b>148.677</b>	<b>131.897</b>	<b>148.825</b>	<b>131.384</b>
<b>Cash and cash equivalents</b>	<b>102.779</b>	<b>116.071</b>	<b>119.799</b>	<b>148.475</b>
<b>Total current assets</b>	<b>274.349</b>	<b>262.755</b>	<b>292.610</b>	<b>295.774</b>
<b>Total assets</b>	<b>1.433.741</b>	<b>1.469.815</b>	<b>1.448.056</b>	<b>1.482.501</b>

## Liabilities as at 30 June

DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>Equity total</b>				
Share capital	120.000	120.000	120.000	120.000
Reserve for hedging transactions	15.552	11.982	15.552	11.982
Reserve for net revaluation of investments:				
– Affiliated companies	13.880	22.279	0	0
– Associated companies	1.789	1.554	1.789	1.554
Reserve for development costs	201	78	0	0
Retained earnings	434.421	476.486	448.502	498.843
<b>Total equity</b>	<b>585.843</b>	<b>632.379</b>	<b>585.843</b>	<b>632.379</b>
<b>Provisions</b>				
Deferred tax	6.627	20.548	4.503	21.224
Other provisions	1.106	1.182	1.106	1.182
<b>Total provisions</b>	<b>7.733</b>	<b>21.730</b>	<b>5.609</b>	<b>22.406</b>

DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>Long-term liabilities</b>				
Mortgage debt in ships	510.583	542.021	510.583	542.021
Mortgage debt	567	567	567	567
Leasing debt	30.059	33.005	30.059	33.005
Bank debt	41.726	0	41.726	0
<b>Total non-term liabilities</b>	<b>582.935</b>	<b>575.593</b>	<b>582.935</b>	<b>575.593</b>
<b>Short-term liabilities</b>				
Next year's instalments on non-current liabilities	70.938	71.160	70.938	71.160
Trade accounts payable	61.481	58.698	62.788	59.907
Corporation tax	0	0	238	238
Other payables	98.129	96.330	112.982	106.893
Pre-invoiced revenue	18.960	6.020	18.960	6.020
Prepayments	7.722	7.905	7.762	7.905
<b>Total short-term liabilities</b>	<b>257.230</b>	<b>240.113</b>	<b>273.669</b>	<b>252.123</b>
<b>Total liabilities</b>	<b>840.165</b>	<b>815.706</b>	<b>856.604</b>	<b>827.716</b>
<b>Total liabilities</b>	<b>1.433.741</b>	<b>1.469.815</b>	<b>1.448.056</b>	<b>1.482.501</b>



## Cash flow statement for the period 1 January – 30 June

DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>Cash flow from operating activities</b>				
Operating profit	(45.907)	(31.714)	(57.107)	(35.879)
Net revenue	(3.906)	(3.828)	(3.906)	(3.828)
Amortisation, depreciation and impairment losses	50.908	52.480	53.663	53.791
Gain/loss on sale of fixed assets	(5.234)	(23.643)	(5.234)	(23.643)
Change in working capital	(3.953)	(30.087)	(151)	(25.075)
<b>Cash flow from operating activities</b>	<b>(8.093)</b>	<b>(36.792)</b>	<b>(12.736)</b>	<b>(34.634)</b>
Net interest payments	(7.820)	(6.770)	(7.818)	(6.645)
Tax paid/received	66	(10)	66	(10)
<b>Cash flow from operating activities</b>	<b>(15.846)</b>	<b>(43.572)</b>	<b>(20.487)</b>	<b>(41.289)</b>
<b>Cash flow from investing activities</b>				
Investments	(13.624)	(30.933)	(24.366)	(32.991)
Sale of fixed assets	7.453	58.612	7.453	58.612
Acquisition and sale of financial fixed assets	1	0	1	0
<b>Cash flow from investing activities</b>	<b>(6.170)</b>	<b>27.679</b>	<b>(16.912)</b>	<b>25.621</b>
<b>Cash flow from financing activities</b>				
Loans raised for the period	41.725	29.941	41.725	29.941
Instalments for the period	(33.001)	(33.401)	(33.001)	(33.401)
<b>Cash flow from financing activities</b>	<b>8.724</b>	<b>(3.460)</b>	<b>8.724</b>	<b>(3.460)</b>
Change in cash and cash equivalents	(13.292)	(19.353)	(28.676)	(19.127)
Cash and cash equivalents at the start of the period	116.071	112.222	148.475	147.595
<b>Cash and cash equivalents at period-end</b>	<b>102.779</b>	<b>92.869</b>	<b>119.799</b>	<b>128.468</b>
Distributed as follows:				
Cash and cash equivalents	102.779	92.869	119.799	128.468
<b>Total</b>	<b>102.779</b>	<b>92.869</b>	<b>119.799</b>	<b>128.468</b>

## Notes

Unless otherwise stated, the amount is stated in DKK 1,000	Royal Arctic Line A/S		Royal Arctic Group	
	2024	2023	2024	2023
<b>1 Net revenue</b>				
The company's income is derived from transport services between Greenland, Canada, Iceland and Denmark, between towns in Greenland, transport to and from port, and from stevedoring services and other related services.				
Revenue is divided into income from concession sea transport and other, non-concession.				
Net revenue can be specified as follows:				
Concession cargo income	424.185	386.424	428.284	390.456
Non-concession income	92.270	95.213	103.892	111.661
<b>Total net revenue</b>	<b>516.455</b>	<b>481.637</b>	<b>532.177</b>	<b>502.117</b>
<b>2 Other external expenditure</b>				
Ships	(158.378)	(145.420)	(166.463)	(153.948)
Terminals	(52.120)	(52.575)	(52.123)	(52.657)
Container operations	(28.501)	(26.629)	(28.501)	(26.629)
Sales and administration	(22.609)	(21.821)	(24.052)	(22.744)
<b>Total other external expenditure</b>	<b>(261.608)</b>	<b>(246.445)</b>	<b>(271.140)</b>	<b>(255.978)</b>
<b>3 Tangible fixed assets</b>				
Of which financial leased assets	29.210	33.708	29.210	33.708
<b>4 Debt to credit institutions</b>				
Of which leasing obligations:	28.744	31.555	28.744	31.555

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Editor in Chief: Jørgen Aqe Møller, CFO  
Photos: Royal Arctic Line, Klaus Holsting, Hans Jensen  
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