

## **Royal Greenland A/S**

### **Interim Report**

**1 January 2020 – 30 June 2020**

CVR: 13645183

Royal Greenland A/S

P.O. Box 1073

Qasapi 4GL -3900 Nuuk

*Interim report 1 January 2020 – 30 June 2020*

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## **Statement by the Management**

We have today presented the interim report as per 30 June 2020 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, 15 September 2020**

### **Executive Board**

Mikael Thinghuus

Nils Duus Kinnerup

Bruno Olesen

Lars Nielsen

### **Supervisory Board**

Niels Harald de Coninck-Smith

Jan H. Lynge-Pedersen

Pernille Fabricius

Niels Smedegaard

Tina Lynge Schmidt

Kristine Winberg

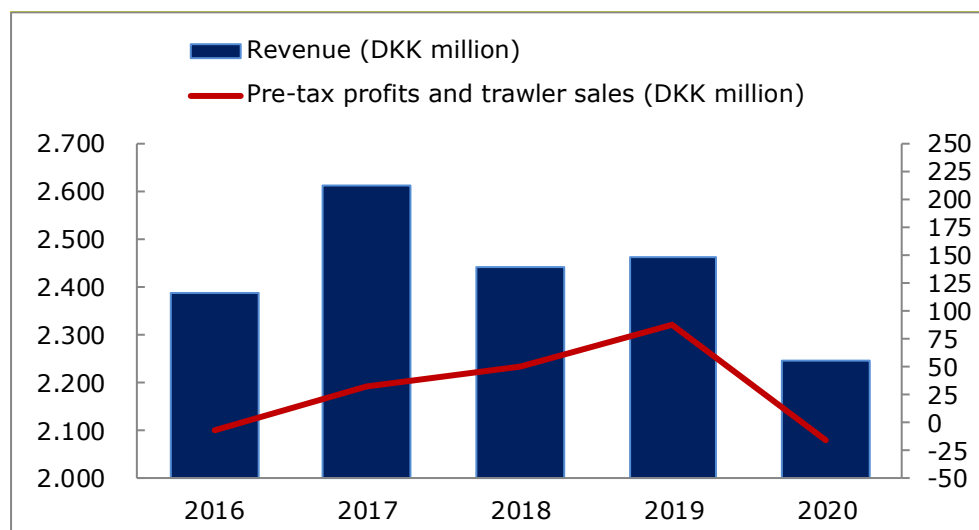
Malik Hegelund Olsen

Niels Ole Møller

Mika Heilmann

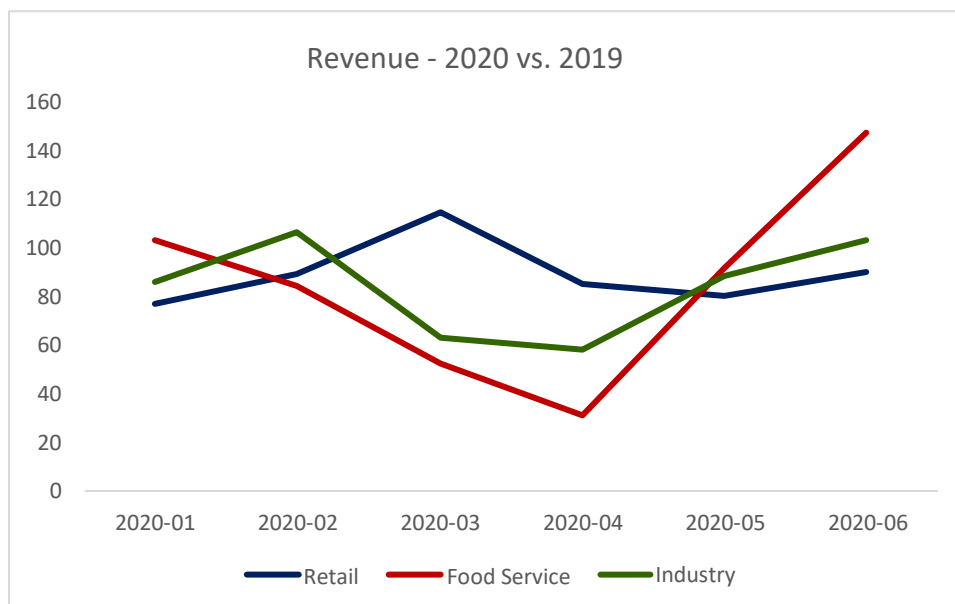
## Royal Greenland's earnings affected by Covid-19

As a company that sells exclusively on the international markets and with more than half of the company's sales to food service and further processing by other food companies, Royal Greenland's profits have been significantly affected by Covid-19. Measured as profit on ordinary operations before the sale of trawlers, the half-year results have dropped from DKK 87 million last year to DKK (16) million this year.

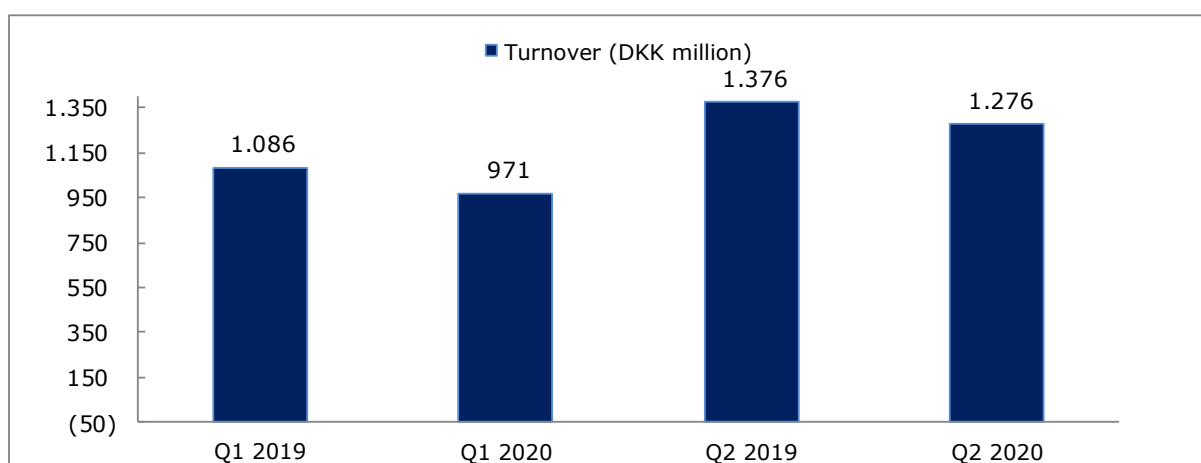


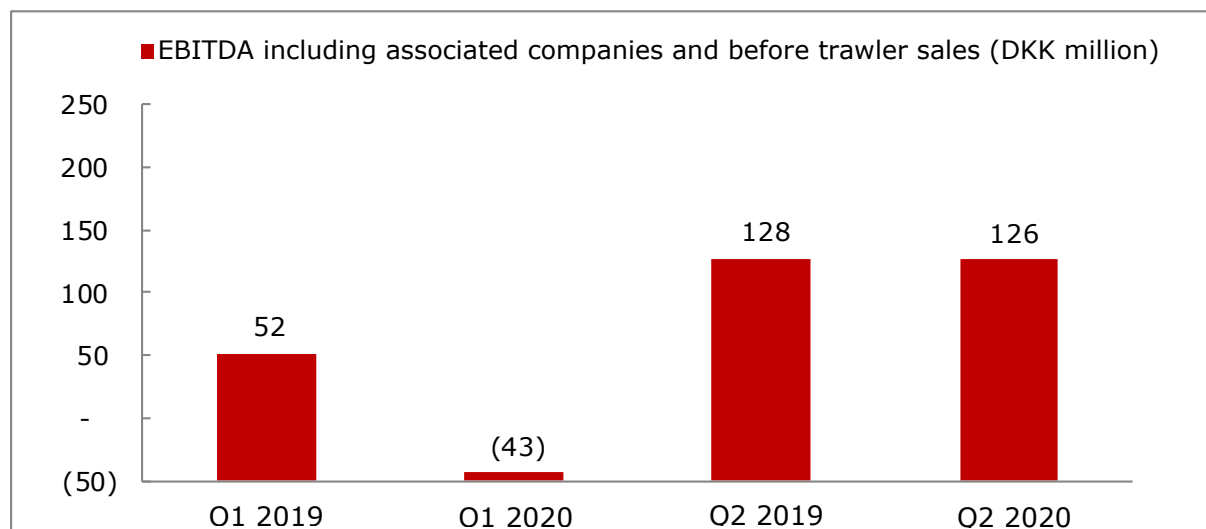
The first six months of 2019 included a profit of DKK 141 million on sales of the trawlers *Sisimiut* and *Qaqqatsiaq*, while the current year has incurred a loss of DKK 15 million on the sale of a pelagic vessel. Including these sales, pre-tax profits have dropped from DKK 228 million to DKK (31) million.

Turnover has dropped by 9 percent in comparison with last year. While sales to the food service and industrial segments were affected severely during the first four months of the year, the gradual opening of the markets has meant that sales to food service and industry are now approaching last year's level.



The gradual opening of society over the past few months has, combined with the snow crab season in Atlantic Canada, resulted in a significant improvement in earnings. Q2 has therefore achieved earnings on the same level as last year despite a 7 percent drop in turnover.



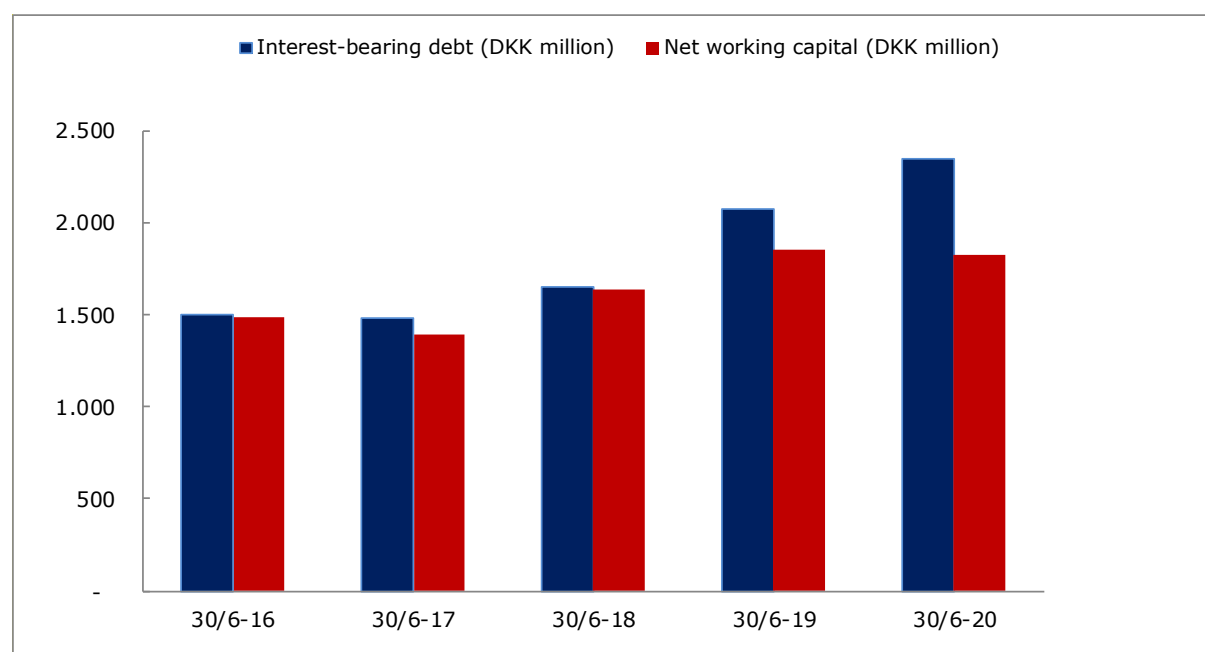


The crab season in Atlantic Canada has developed very positively despite Covid-19. The primary market this year has been North America. Concurrently with the shutdown of restaurants, Royal Greenland has successfully managed to increase sales to the retail trade.

In general, Covid-19 has necessitated a high degree of flexibility and adaptation in day-to-day business, not only in regard to employee safety and the organisation of workplaces, but also in regard to sales processes. E-commerce efforts have therefore been accelerated on a number of markets, particularly in China and Japan. The Joint Venture agreement with Beiyang Jiamei Seafood in China, which was entered into at the end of 2019, has already proved its worth.

On top of the Covid-19 situation, the market for cooked & peeled prawns has been under pressure, particularly for the larger prawns. Since mid-2019 the market has been oversupplied, with considerable price drops as a result.

Royal Greenland's net profit for H1 amounts to DKK (39) million, compared to DKK 141 million for the same period last year.

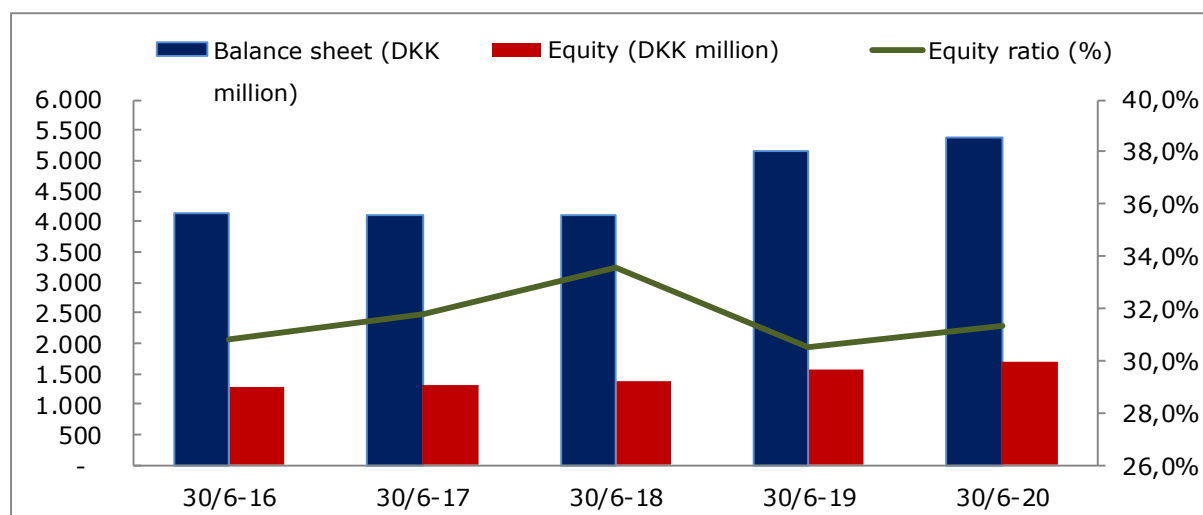


Despite lower sales and unchanged fisheries and production, we have succeeded in keeping working capital at the same level, which is particularly satisfactory.

Interest-bearing debt has increased by DKK 276 million compared to the same period last year. This development reflects construction of the new trawlers *Avataq* og *Nataarnaq*, the latter of which will be delivered in summer 2021, while *Avataq* was delivered in December 2019.

The company has expanded its credit facilities with DKK 750 million to combat the uncertainties created by Covid-19, but has not drawn on these facilities. Available liquidity currently amounts to DKK 1.4 billion.

Equity amounts to DKK 1.7 billion, with an equity ratio of 31.4%.



### Expected performance of the company

As a consequence of Covid-19 and development of the market for cooked & peeled prawns, it has not been possible to continue the positive development of previous years.

Out of respect for the social consequences for the local communities, Royal Greenland has prioritised on keeping fishing and production intact, and the employees have made an incredible effort under difficult conditions. We hope that market conditions permit us to maintain this priority.

It is essential that Asia, in particular the Chinese market which is Royal Greenland's biggest, normalise in H2; it is important to point out here that the products come from Greenland, which is a Covid-19-free area.

We are continually working with different scenarios and corrective measures.

Financial preparedness remains intact. The focus is on weathering the Covid-19 pandemic successfully.



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## Financial highlights for the Group

H1

(DKKm)	2020	2019	2018	2017	2016
<b>Profit/loss</b>					
Revenue	2,247	2,462	2,440	2,611	2,387
EBITDA	68	320	141	118	88
EBIT	(17)	248	65	41	9
Profit before tax	(31)	228	50	32	(7)
Profit for the period	(39)	141	13	1	(12)
<b>Balance sheet</b>					
Fixed assets	2,781	2,252	1,705	1,695	1,490
Net working capital	1,828	1,850	1,635	1,390	1,485
Equity	1,686	1,574	1,377	1,303	1,273
Net interest-bearing debt	2,347	2,071	1,653	1,480	1,503
Total assets	5,660	5,300	4,122	4,095	4,136
Investments in property, plant and equipment	63	391	133	169	243
<b>Ratios in %</b>					
EBITDA margin	3.0	13.0	5.8	4.5	3.7
EBIT margin	(0.7)	10.1	2.7	1.6	0.4
EBT margin	(1.4)	9.3	2.0	1.2	(0.3)
ROIC including goodwill	(1.4)	13.9	3.5	1.7	0.4
Return on equity (ROE)	(2.8)	19.6	3.2	2.0	(1.2)
Equity ratio	31.4	30.5	33.6	31.8	30.8

## Income statement

(DKK 1,000)

	H1 2020	H1 2019	2019
Revenue	2,247,010	2,462,325	5,327,510
Change in inventories of finished goods	106,922	434,200	103,762
Other operating income	30,181	169,191	200,641
	<b>2,384,113</b>	<b>3,065,716</b>	<b>5,631,913</b>
Costs of raw materials and consumables	(1,314,849)	(1,756,149)	(3,179,959)
Other external expenses	(487,327)	(490,935)	(893,308)
Personnel costs	(516,616)	(521,363)	(1,030,886)
Write-offs/write-downs	(84,847)	(72,106)	(150,849)
Other operating costs	(14,646)	(1,781)	(5,715)
<b>Operating profit</b>	<b>(34,172)</b>	<b>223,382</b>	<b>371,196</b>
Profit from investments in associates after tax	17,598	24,878	66,104
Financial income	5,835	11,307	38,601
Financial expenses	(20,099)	(31,344)	(71,612)
<b>Profit before tax</b>	<b>(30,838)</b>	<b>228,223</b>	<b>404,289</b>
Tax on the annual profits	6,836	(78,274)	(93,290)
<b>Profit after tax</b>	<b>(24,002)</b>	<b>149,949</b>	<b>310,999</b>
<b>The Group result can therefore be distributed as follows:</b>			
Shareholders in Royal Greenland A/S	(39,360)	141,478	267,455
Minority interests	15,358	8,471	43,544
<b>PROFIT FOR THE PERIOD</b>	<b>(24,002)</b>	<b>149,949</b>	<b>310,999</b>

## Balance sheet

(DKK 1,000)

<b>Assets</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
<b>Intangible fixed assets</b>	<b>224,108</b>	<b>242,759</b>	<b>224,076</b>
Buildings	314,174	306,542	335,472
Production plants and machinery	225,349	209,584	263,130
Vessels	877,086	293,327	943,418
Other fixtures and fittings, tools and equipment	26,013	22,016	22,927
Fixed assets under construction	370,059	660,027	315,731
<b>Tangible fixed assets</b>	<b>1,812,681</b>	<b>1,491,496</b>	<b>1,880,678</b>
Investments in associates	172,685	136,455	171,160
Receivables from associates	45,240	6,718	6,048
Derivative financial instruments	284,312	134,706	148,948
Other financial fixed assets	241,681	239,916	248,007
<b>Financial fixed assets</b>	<b>743,918</b>	<b>517,795</b>	<b>574,163</b>
<b>FIXED ASSETS</b>	<b>2,780,707</b>	<b>2,252,050</b>	<b>2,678,917</b>
<b>Inventories</b>	<b>1,910,385</b>	<b>1,961,871</b>	<b>1,821,789</b>
Receivables from sales	683,436	688,596	747,228
Receivables from associates	8,042	6,008	7,273
Other receivables	25,246	8,670	54,075
Deferred tax assets	54,184	44,841	70,685
Corporate tax receivable	0	0	17,310
Accruals	34,106	36,655	28,407
<b>Receivables</b>	<b>805,014</b>	<b>784,770</b>	<b>924,978</b>
<b>Cash and cash equivalents</b>	<b>163,886</b>	<b>301,115</b>	<b>307,644</b>
<b>CURRENT ASSETS</b>	<b>2,879,285</b>	<b>3,047,756</b>	<b>3,054,411</b>
<b>ASSETS</b>	<b>5,659,992</b>	<b>5,299,806</b>	<b>5,733,328</b>

## Balance sheet

(DKK 1,000)

<b>Liabilities</b>	<b>30.06.2020</b>	<b>30.06.2019</b>	<b>31.12.2019</b>
Share capital	850,000	850,000	850,000
Retained earnings	836,311	724,305	864,639
Shareholders in Royal Greenland A/S' share of equity	1,686,311	1,574,305	1,714,639
Minority interests	166,314	132,773	173,218
<b>TOTAL EQUITY</b>	<b>1,852,625</b>	<b>1,707,078</b>	<b>1,887,857</b>
Deferred tax	165,469	157,388	161,070
Other provisions	13,373	19,736	8,687
<b>PROVISIONS</b>	<b>178,842</b>	<b>177,124</b>	<b>169,757</b>
Other credit institutions	2,522,918	2,397,820	2,414,910
Other long-term debt	23,394	86,649	30,107
Derivative financial instruments	0	12,538	5,487
<b>Long-term liabilities</b>	<b>2,546,312</b>	<b>2,497,007</b>	<b>2,450,504</b>
Current portion of long-term debt	0	53,695	60,869
Credit institutions	248,960	13,552	197,930
Suppliers of goods and services	493,112	521,492	561,733
Debt to associated companies	37,033	22,150	78,208
Corporate tax	57,516	102,030	85,970
Other debt	245,230	195,480	233,487
Accruals	362	10,198	7,013
<b>Short-term liabilities</b>	<b>1,082,213</b>	<b>918,597</b>	<b>1,225,210</b>
<b>LIABILITIES</b>	<b>3,628,525</b>	<b>3,415,604</b>	<b>3,675,714</b>
<b>LIABILITIES</b>	<b>5,659,992</b>	<b>5,299,806</b>	<b>5,733,328</b>

## Statement of changes in equity

(DKK 1,000)	Share capital	Retained earnings	Proposed dividend	Total	Minority interests	Total equity
<b>Equity on 31 December 2018</b>	<b>850,000</b>	<b>553,694</b>	<b>62,979</b>	<b>1,466,673</b>	<b>134,522</b>	<b>1,601,195</b>
Method	0	0	0	0	7,626	7,626
Exchange rate adjustments	0	29,023	0	29,023	0	29,023
Fair value adjustment	0	110	0	110	0	110
Dividends paid	0	0	(62,979)	(62,979)	(17,846)	(80,825)
Tax on the proposed dividend	0	0	0	0	0	0
Profit for the period	0	141,478	0	141,478	8,471	149,949
<b>Equity on 30 June 2019</b>	<b>850,000</b>	<b>724,305</b>	<b>0</b>	<b>1,574,305</b>	<b>132,773</b>	<b>1,707,078</b>
Method	0	0	0	0	5,372	5,372
Exchange rate adjustments	0	5,994	0	5,994	0	5,994
Fair value adjustment	0	12,403	0	12,403	0	12,403
Tax on fair value adjustments	0	(4,040)	0	(4,040)	0	(4,040)
Tax on the proposed dividend	0	0	0	0	0	0
Profit for the period	0	125,977	0	125,977	35,073	161,050
<b>Equity on 31 December 2019</b>	<b>850,000</b>	<b>864,639</b>	<b>0</b>	<b>1,714,639</b>	<b>173,218</b>	<b>1,887,857</b>
Exchange rate adjustments	0	(28,065)	0	(28,065)	0	(28,065)
Fair value adjustment	0	39,097	0	39,097	0	39,097
Dividends paid	0	0	0	0	(22,262)	(22,262)
Tax on the proposed dividend	0	0	0	0	0	0
Profit for the period	0	(39,360)	0	(39,360)	15,358	(24,002)
<b>Equity on 30 June 2020</b>	<b>850,000</b>	<b>836,311</b>	<b>0</b>	<b>1,686,311</b>	<b>166,314</b>	<b>1,852,625</b>

## Cash flow statement

(DKK 1,000)	H1 2020	H1 2019	2019
Profit for the period	(39,360)	141,478	310,999
Adjustments to the annual profits	99,157	13,949	61,170
Change in the working capital	(111,907)	(318,454)	(120,179)
<b>Cash flow for operations prior to financial items</b>	<b>(52,110)</b>	<b>(163,027)</b>	<b>251,990</b>
Payments in connection with financial items	5,835	15,860	32,308
Payouts in connection with financial items	(11,141)	(26,791)	(39,197)
<b>Cash flow from ordinary activities</b>	<b>(57,416)</b>	<b>(173,958)</b>	<b>245,101</b>
Tax paid	5,454	(2,701)	(83,074)
<b>Cash flow from operating activities</b>	<b>(51,962)</b>	<b>(176,659)</b>	<b>162,027</b>
Purchase of net assets by transfer of company ownership	0	0	(88,009)
Purchase and sale of intangible and tangible fixed assets	(25,791)	(285,038)	(641,393)
Purchase and sale of financial fixed assets	(400)	(17,049)	(99,957)
Dividend received from associates	0	0	44,065
<b>Cash flow from investment activities</b>	<b>(26,191)</b>	<b>(302,087)</b>	<b>(785,294)</b>
Inclusion of/(instalments on) long-term debt	(94,373)	639,095	585,573
Debt displacement on credit facilities	51,030	(158,283)	26,095
Dividends paid	0	(62,979)	(62,979)
Sales to minority interests	0	0	12,998
Dividends paid out over the year to minority interests	(22,262)	(11,258)	(17,846)
<b>Cash flow from financing activities</b>	<b>(65,605)</b>	<b>406,575</b>	<b>543,841</b>
<b>Shift in cash and cash equivalents</b>	<b>(143,758)</b>	<b>(72,171)</b>	<b>(79,426)</b>
Cash and cash equivalents at start of year	307,644	373,286	373,286
Method of transfer of company ownership	0	0	13,784
<b>Cash and cash equivalents at end of H1</b>	<b>163,886</b>	<b>301,115</b>	<b>307,644</b>

## 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

The Government of Greenland owns all shares in the

Company

### Supervisory Board

Niels Harald de Coninck-Smith, Chairman

Jan H. Lynge-Pedersen, Deputy Chairman

Pernille Fabricius

Niels Smedegaard

Tina Lynge Schmidt

Kristine Winberg

Niels Ole Møller \*)

Mika Heilmann \*)

Malik Hegelund Olsen \*)

\*) 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

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**Auditors**

EY Grønland Godkendt Revisionsanpartsselskab



Group chart

