

Royal Greenland A/S

Interim Report

1 January 2019 – 30 June 2019

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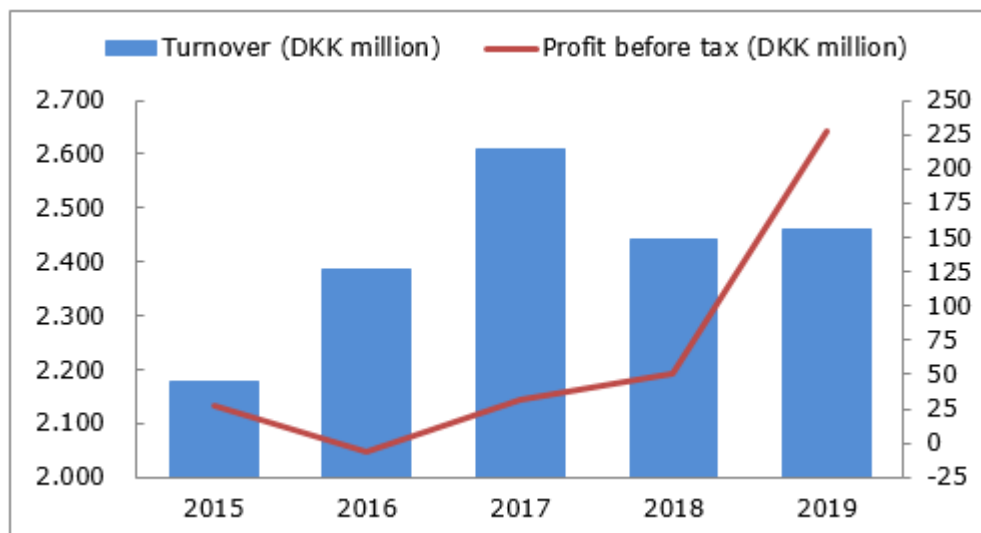
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Strong first half of 2019

Royal Greenland's profit before tax amounted to DKK 228 million in the first half of 2019. A significant element of this result is a profit of DKK 141 million from the sale of the trawlers *Sisimiut* and *Qaqqatsiaq*. The result of ordinary operations did reflect very solid performance, with a profit of DKK 87 million, compared to DKK 50 million for the same period of the previous year, with unchanged turnover, but also affected by favorable exchange rates.

The sale of the trawlers is related to the investment in two new trawlers, of which the new trawler *Sisimiut* was delivered at the beginning of June 2019 and is being commissioned, while *Avataq* will be delivered in October 2019. A third trawler, to replace *Nataarnaq*, has been ordered for delivery in 2021.

On reviewing the interim report it should be noted that the development in Royal Greenland's results during the year is subject to seasonal fluctuations, since the largest share of the ordinary profit for the year is earned in H2.



Royal Greenland's core products continue to develop very positively.

In terms of earnings, cooked & peeled prawns are making strong progress despite lower sales as a consequence of maintaining the higher sales prices achieved in H2 2018. The UK, Sweden and Norway achieved lower sales, however. Stocks have been built up in the UK to alleviate the consequences of Brexit.

Sales of Greenland halibut increased by 13%, which is positive in view of the major factory investments in northern Greenland. Sales are predominantly to Asia.

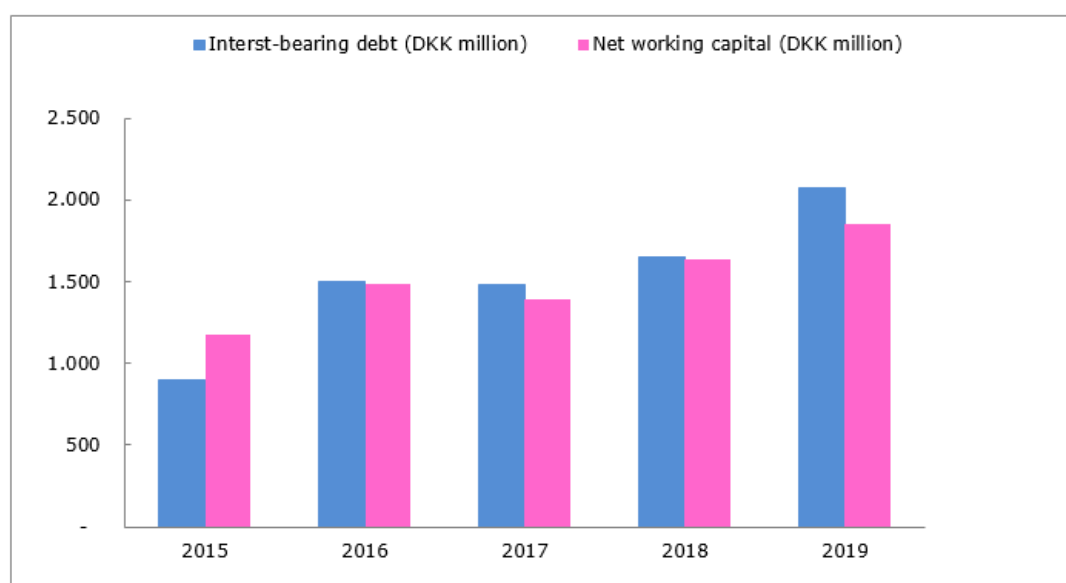
For snow crab, Royal Greenland has expanded its activities in Eastern Canada, and together with the activities in Greenland, this has resulted in growth of 35%. The markets for snow crab in Asia and North America are still very attractive after a rather slow start to the season.

For white fish, H1 was characterised by frozen-at-sea products from fisheries in the Barents Sea as Greenland cod is a land-based activity during the summer period. Frozen-at-sea fisheries have performed well and cod prices have generally been rising resulting in significantly better earnings. The primary markets are the UK, Spain, Portugal and industrial customers in Denmark.

Shell-on prawns did not maintain the same earnings as in the previous year, but this is solely because in 2018 we acquired an extra quota in conjunction with another company's replacement of a trawler, as well as a planned yard visit in the spring for one of the trawlers. Shell-on prawns continue to achieve attractive earnings.

Concerning non-core activities it must be noted that the cooperation with A. Espersen regarding flatfish based at the Koszalin factory in Poland has developed positively in 2019. The cooperation was established after Royal Greenland's sale of the factory to A. Espersen.

Royal Greenland's net profit for H1 amounts to DKK 141 million, compared to DKK 13 million for the same period last year.

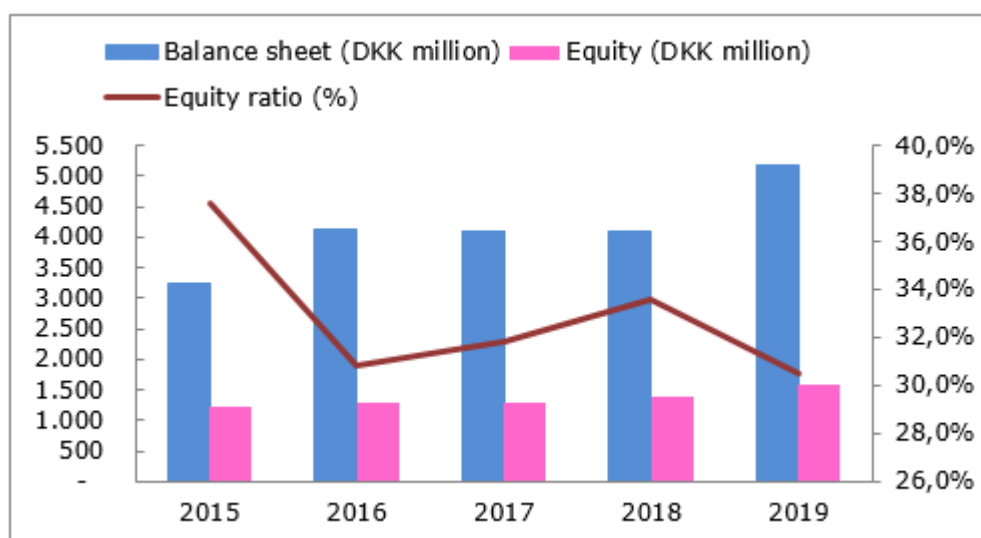


At the end of H1, the Group's working capital has increased by DKK 215 million. This development is due to higher stocks as a consequence of price increases, as well as a changed mix of products, but also larger stocks of cooked & peeled prawns and snow crab. The latter is due to a larger allocation of crab for further processing by our own Japanese subsidiary at the start of the season, rather than sales to North America. The larger stock of cooked & peeled prawns can be attributed to market fluctuations, as well as the building-up of stocks in the UK to prepare for Brexit.

Furthermore, a buffer stock of shell-on prawns was built up in conjunction with the replacement of the *Qaqqatsiaq* prawn trawler.

As a consequence of the trawler investments and the expansion in Eastern Canada, investments amounted to almost DKK 400 million for H1, increasing the interest-bearing debt to DKK 2.1 billion. It will decrease in the coming half-year, in step with increasing earnings, declining stocks and a lower investment level.

Equity amounts to DKK 1.6 billion, with an equity ratio of 30.5%.



Expected performance of the company

The outlook for 2019 is fundamentally a continued positive development.

On top of the profit on the sale of trawlers, we expect a higher ordinary profit before tax in 2019 than in 2018.

However, Brexit, a possible intensified trade war between the USA and China, and a general slowdown in the global economy may affect the company's earnings negatively.

Nuuk, 4 September 2019

Niels Harald de Coninck-Smith
Chairman of the Board

Mikael Thinghuus
CEO

Nils Duus Kinnerup
CFO

Lars Nielsen
Group Production Director

Bruno Olesen
Group Sales and Marketing Director

Financial highlights for the Group

H1

(DKKm)	2019	2018	2017	2016	2015
Profit/loss					
Net revenue	2,462	2,440	2,611	2,387	2,179
EBITDA	295	123	97	81	105
EBIT	223	47	20	2	38
Profit before tax	228	50	32	(7)	28
Profit for the period	141	13	1	(12)	14
Balance sheet					
Fixed assets	2,162	1,714	1,695	1,490	1,098
Net working capital	1,850	1,635	1,390	1,485	1,174
Equity	1,574	1,377	1,303	1,273	1,213
Net interest-bearing debt	2,071	1,653	1,480	1,503	897
Total assets	5,165	4,095	4,095	4,136	3,226
Investments in property, plant and equipment	391	133	169	243	100
Ratios in %					
EBITDA margin	12.0	5.0	3.7	3.4	4.8
EBIT margin	9.1	2.0	0.8	0.1	1.7
EBT margin	9.3	2.0	1.2	(0.3)	1.3
ROIC including goodwill	13.9	3.5	1.7	0.4	4.1
Return on equity (ROE)	19.6	3.2	2.0	(1.2)	3.5
Equity ratio	30.5	33.6	31.8	30.8	37.6

Company details

The Company

Royal Greenland A/S

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CBR 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 Schmidt

Lene 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

Auditors

EY Greenland Godkendt Revisionsanpartsselskab

Group chart

