# Royal Greenland A/S

# Annual Report

## October 1st 2008 – September 30th 2009

The annual report has been prepared and approved by the ordinary Annual General Meeting on February 18th 2010

**Chairman of the Annual General Meeting**

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## Contents

## Statement by the Management on the annual report

The Supervisory and Executive Boards have today considered and adopted the annual report of Royal Greenland A/S for the financial year October 1st 2008 – September 30th 2009.

The annual report has been presented in accordance with current Danish accounting provisions. We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of the Group's and the Parent's assets, equity and liabilities, financial position, financial performance, results and cash flows.

We recommend the annual report for adoption at the Annual General Meeting.

Wilhelmshaven, December 9th 2009

**Executive Board**

| | | |
|---|---|---|
| Flemming Knudsen | Pâviâraq Heilmann | Nils Duus Kinnerup |

**Supervisory Board**

| | | |
|---|---|---|
| Peter Grønvold Samuelsen | Sven Lyse | Paneeraq Olsen |
| Pitsi Høegh | Arne Pedersen | Svend Bang Christiansen |
| Asger Johansen | Lars Berthelsen | Niels Ole Møller |

# Independent auditor's report

**To the shareholder of Royal Greenland A/S**

We have audited the annual report of Royal Greenland A/S for the financial year October 1st 2008 to September 30th 2009, which comprises the statement by Management on the annual report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity and the notes for the Group as well as the Parent and the consolidated cash flow statement. The annual report has been prepared in accordance with the Danish Financial Statements Act.

**Management's responsibility for the annual report**

Management is responsible for the preparation and fair presentation of an annual report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility and basis of opinion**

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

**Opinion**

In our opinion, the annual report gives a true and fair view of the Group's and the Parent's financial position at September 30th 2009, and of their financial performance and the consolidated cash flows for the financial year October 1st 2008 to September 30th 2009 in accordance with the Danish Financial Statements Act.

Nuuk, December 9th 2009

**Deloitte**
Statsautoriseret Revisionsaktieselskab

H.P. Møller Christiansen
State Authorised
Public Accountant

Per Jansen
State Authorised
Public Accountant

## Management's review

### Company details

| | |
|---|---|
| **Company** | Royal Greenland A/S<br>Qasapi 4<br>P.O. Box 1073<br>3900 Nuuk<br><br>Telephone: +299 32 44 22<br>Telefax: +299 32 33 49<br>Website: www.royalgreenland.com<br><br>Registration No.: 184.991<br>Financial year: October 1st – September 30th<br>Registered in: Sermersooq<br><br>The Government of Greenland owns all shares in the Company. |
| **Supervisory Board** | Peter Grønvold Samuelsen, Chairman<br>Sven Lyse, Deputy Chairman<br>Paneeraq Olsen<br>Pitsi Høegh<br>Arne Pedersen<br>Svend Bang Christiansen<br>Asger Johansen *)<br>Lars Berthelsen *)<br>Niels Ole Møller *)<br><br>*) employee representatives |
| **Executive Board** | Flemming Knudsen, President, CEO<br>Pâviâraq Heilmann, Executive Vice President, COO<br>Nils Duus Kinnerup, Chief financial executive, CFO |
| **Auditors** | Deloitte Statsautoriseret Revisionsaktieselskab |

## Group Chart

**Royal Greenland A/S**

- **Royal Greenland Seafood A/S, 100%**
  - Royal Greenland Seafood GmbH, 100%
  - Uniprawns Holding AS, 100%
  - Royal Greenland Seafood Sp. zoo, 100%
  - Per Nielsen Seafood International A/S,100%
    - Eastern Quebec Seafoods Ltd, 100%
  - Royal Greenland Norway AS, 100%
  - Royal Greenland Sweden AB, 100%
  - Royal Greenland UK Ltd., 100%
  - Royal Greenland France S.A.S., 100%
  - Royal Greenland Japan Ltd., 100%
  - Royal Greenland Inc., 100%
    - Iquique U.S. LLC, 18,82% associated
  - Royal Greenland GmbH, 100%
  - Royal Greenland Italy Spa., 60%
  - Fishinsea Denmark A/S, 47,5%, associated
- **Nuussuaq Fish ApS, 100%**
- **Sandgreen ApS, 100%**
- **7170629 Canada Inc., 100%**
- **Ittu A/S, 91,7%**
- **Ice Trawl Greenland A/S, 50%**
  - Qaleralik A/S, 50%, associated
  - Gaia Fish A/S, 25%, associated
- **Associated virksomheder**
  - Upernavik Seafood A/S, 50%
  - Akia Sisimiut A/S, 50%
  - Angunnguaq A/S, 49,4%
  - Frans Peter ApS, 43,6%
  - Polar Raajat A/S, 43%
  - Lennert og Sønner ApS, 40%
  - Savik ApS, 35%
  - Ejendomsselskabet Suliffik A/S, 30,3%
  - Sisimiut Fish ApS, 30%
  - Kuunnaat ApS, 25,9%
  - Gaia Fish A/S, 25%

**Financial highlights and key ratios**

| | 2008/09 DKK million | 2007/08 DKK million | 2006/07 DKK million | 2005/06 DKK million | 2004/05 DKK million |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Net revenue | 4,741 | 5,173 | 5,130 | 5,336 | 4,559 |
| Profit from ordinary operating activities (EBIT) | (86) | 50 | 98 | 110 | 191 |
| Net financials | (124) | (99) | (34) | (45) | (60) |
| Net profit before tax | (210) | (49) | 63 | 65 | 131 |
| Net profit for the year | (196) | (78) | 52 | 38 | 103 |
| | | | | | |
| **Balance sheet** | | | | | |
| Fixed assets | 1,365 | 1,452 | 1,431 | 1,489 | 1,475 |
| Net working capital | 1,163 | 1,589 | 1,534 | 1,573 | 1,598 |
| Equity | 831 | 816 | 894 | 858 | 799 |
| Net interest-bearing debt | 1,612 | 2,114 | 1,942 | 2,030 | 2,160 |
| Balance sheet total | 3,717 | 3,869 | 3,951 | 4,035 | 3,777 |
| Investments in property, plant and equipment | 168 | 221 | 236 | 196 | 182 |
| | | | | | |
| **Ratios in %** | | | | | |
| EBIT-margin | (1.8) | 1.0 | 1.9 | 2.1 | 4.2 |
| EBT-margin | (4.4) | (0.9) | 1.2 | 1.2 | 2.9 |
| ROIC including goodwill | (3.2) | 1.9 | 3.7 | 4.1 | 7.3 |
| Return on equity (ROE) | (23.4) | (8.8) | 6.7 | 6.3 | 14.7 |
| Equity ratio | 22.4 | 21.1 | 22.6 | 21.3 | 21.1 |
| Net interest-bearing debt / EBITDA | 16.3 | 9.4 | 7.8 | 7.0 | 6.5 |
| | | | | | |
| **Number of employees** | | | | | |
| Greenland | 855 | 1,015 | 1,003 | 1,023 | 1,107 |
| Denmark | 297 | 386 | 418 | 423 | 521 |
| Other locations | 928 | 812 | 621 | 734 | 572 |
| **Total** | **2,080** | **2,213** | **2,042** | **2,180** | **2,200** |

# Management's review 2008/09

2008/09 was a very difficult year for Royal Greenland, due amongst other things to the financial crisis and the general recession. Despite the problems and the difficult conditions, however, the Company managed to emerge from the year in a strengthened condition. Royal Greenland succeeded in reversing the negative trends in profits in the final four months of the financial year, and through strict management of working capital, the Company created a significant positive cash flow despite the negative result for the year. These factors, together with a capital injection from the owners, have meant that at the start of the new financial year, Royal Greenland is a stronger company in terms of both profits and capital.

The result for the year, a deficit of DKK 196 million, is highly unsatisfactory, but was created under very difficult operational and market conditions. The financial crisis had a negative impact on the result, and Royal Greenland experienced not only declining sales of branded products in Scandinavia, but also a decline in the discount sector in Germany. The development further sharpened price competition in the discount sector. Moreover, the financial crisis led to a weaker market in Japan as the Japanese economy was hit by the recession.

The financial crisis negatively impacted exchange rates, particularly in the autumn of 2008, with the consequence that a number of sales currencies fell sharply and led to a decline in earnings and poor competition conditions in international markets.

The year was also characterised by very high prices in raw materials, particularly in Alaska pollack, but also in prawns, which, combined with long-term sales contracts, made it difficult to transfer the rising cost prices to sales prices. This was a particular challenge for Royal Greenland's activities in the factory in Wilhelmshaven.

The newly-established factory in Koszalin, Poland, developed positively over the past year, but is still facing several challenges, as a result of which the factory failed to reach its targeted level of earnings. A number of initiatives have been instituted, but the factory remains one year behind schedule in relation to the original three-year plan.

Operating conditions during the year were also hampered by Royal Greenland's high burden of debt inherited from former periods, which, in combination with the financial crisis, placed heavy demands on the capital situation.

In response to the difficult working conditions, the Company launched a 12-point plan of action in the first half of the financial year, designed to improve annual earnings by DKK 200 million over the coming two years compared to 2007/08, and improve capital reserves.

The aim of this plan is both to consolidate the Company and create a platform for future growth. During the financial year, measures commenced by the Company included the liquidation of loss-giving activities, closure of sales offices and facilities, redevelopment of the product programme and the chartering-out of the trawler Tasermiut. In addition to performance-enhancing initiatives, there has also been a focus on reducing working capital, and thereby improving cash flow.

It can be observed that the initiatives included in the plan of action have begun to take effect, as the Company managed to improve its EBIT over the final four months of the financial year, despite a lower level of activity. Moreover, the positive cash flow from operations amounted to DKK 237 million, despite the fall in profits.

Prior to the financial crisis, the management commenced a dialogue with the owners concerning the capital and earnings situation at Royal Greenland. This dialogue led to the establishment of a working group at last year's general assembly to assess the possibilities for improving the Company's capital situation. The working group included representatives of both the owners and the management, and its conclusion was that Royal Greenland required DKK 500 million in added capital, partly in the form of a capital injection of DKK 250 million, and partly as a subordinated loan of DKK 250 million.

The capital injection was undertaken in June 2009, and through this the owners expressed their backing for the Company and the commenced activities, including the adopted plan of action. The owners thereby sent a clear signal to the outside world, not only concerning the ownership itself, but also in recognition of the social importance of Royal Greenland to Greenlandic society. This social importance is expressed both in the Company's fundamental value system, and concretely, in that Royal Greenland:

- Employs 855 persons in Greenland
- Co-operates with more than 1,400 associated raw materials suppliers
- Employs, directly or indirectly, up to 30% of the labour force in Greenland
- Is the largest player in Greenland’s most important industry
- Spends more than DKK 1.1 billion in Greenland per year
- Markets Greenland and Greenland's products internationally, and thereby functions as an ambassador for Greenland.

Alongside the capital injection from the owners, the Company also took out new private placement loans for USD 50 million in early September 2009 to refinance maturing loans. In this transaction, Royal Greenland was awarded the highest rating (NAIC1) on the private placement market, underlining investor confidence in the Company and its owners, despite the international financial crisis.

The conclusion after a difficult financial year is that Royal Greenland has emerged from the year in a much stronger condition in terms of both earnings and capital.

The recapitalisation during the year also underlines the strength that derives from the Company's Greenlandic ownership and the position of Royal Greenland in Greenlandic society.

This is reflected in Royal Greenland's three sets of values:

1. The Company is rooted in Greenlandic society, and comprises part of Greenland's face towards the world through its actions on the international markets.

2. The Company is founded on the basis of living natural resources. The extent of and alterations in these resources are to some degree unpredictable, which places major demands on the Company and requires a responsible attitude towards the exploitation of these resources.

3. As a global company, Royal Greenland operates in a number of different societies, and must therefore display social responsibility towards the societies of which it is a part. This applies particularly in Greenland, where the Company's operations have a considerable influence on and consequences for Greenlandic society. The Company's business model must thus take account of both business economics and social criteria.

From its Greenlandic roots, Royal Greenland has developed into an international company in which just 30% of its raw materials derive from the resources around Greenland, while 70% are purchased on the world market. This points the way towards a further internationalisation of Royal Greenland, especially as the degree of future access to living resources in Greenland is also partly unpredictable.

The Company's future success is conditional upon:

A focus on Group earnings and debt reduction

Access to living resources

Technology

Product development

Branding

Development of control information

Training

The priorities expressed in the initiated plan of action will be retained, in order to ensure that the Company is better able to resist the effects of negative economic trends in future, and can obtain greater benefits from positive trends.

Given the restrictions which apply in relation to the Greenlandic resources, there will be an ongoing need for the Company to participate in creating change in Greenland's fishing industry, as it has already done in the area of prawn fishing. It should however be borne in mind that the speed of such transformation depends very much on the development of Greenlandic society. The Company therefore supports the realisation of the work of the Fisheries Commission in a modernisation of the fishing industry in Greenland. This will mean changes in the sector, but these changes are deemed necessary in order to secure Greenland's competitiveness on the world market.

There is greater growth potential in the remainder of Royal Greenland's business, provided that the Company recognises the need for ongoing improvements in productivity and efficiency in order to lower unit costs.

Consequently, the Company does not intend to continue its former highly volume-oriented strategy, which in recent years has led to increases in the Company's investments and debt without providing accompanying improvements in earnings.

**Sales/Market**

Turnover for the year comprised DKK 4.7 billion, a drop of 8%. This development is partly due to the difficult market conditions, but also to the closure of the sales organisation in the USA.

Turnover in Greenland products such as boiled/peeled prawns, shell-on prawns, halibut and cod has declined, partly due to the decreasing amounts of live resources available, and a lower quota allocation. Market conditions in Germany brought about a drop in sales of battered and breaded products from the factory in Wilhelmshaven. There has on the other hand been a growth in the product range from Koszalin, including fillets and breaded and stuffed products.

In market terms Germany, the UK, Japan and export sales have all been hit hard, but in general, all markets have been under pressure.

Around 40% of the Company's turnover is sold under the Royal Greenland brand name, primarily in the Scandinavian markets and in selected food service markets in Europe. The Royal Greenland brand has been built up around values derived from the Greenland products themselves, such as purity, nature and quality.

**Product development**

Innovative skills are required in order to realise the vision of being an internationally-recognised, trend-setting seafood supplier. A pilot factory has been established in Glyngøre to support product development, with a view to maintaining Royal Greenland's trend-setting position.

Much of the development of new products or variants occurs in close collaboration with our customers. Today, modern customers seek strategic partners who can not only supply a broad product range, but are also capable of contributing to the development of the range and the market.

In addition to the central product development function in Glyngøre, the Company also collaborates with national institutions in the main markets in order to fine-tune the products to suit local taste preferences. Our co-operation with a French institute, for example, recently led to the development of six new French fish sauces.

Royal Greenland's product development is also appreciated internationally. At the year's international seafood exhibition, the European Seafood Exposition, Royal Greenland had no less than five products in the finals and won the 'best product' award with its newly-developed rosti.

Product development costs during the financial year primarily related to the development of new products and new flavours for the existing product range. These costs have been included in the profit and loss account on the basis of a caution principle, inasmuch as it is difficult to attribute them to individual products.

**Operations**

**Greenland**

**Prawns**

The overall TAC (total allowable catch) for prawns in West Greenland was reduced by 10% in 2009. The cut was expected, and was supported by biological advice for an overall drop of 30%. The TAC has thus been reduced by a total of 15% in 2008 and 2009. This corresponds to the wishes of the industry for a gradual reduction, which will enable a gradual adjustment in capacity. The TAC for West Greenland for 2009 has been reduced from 127,300 tons to 114,500, of which 4,000 tons is reserved for EU vessels. The TAC for East Greenland is unchanged at 12,400 tons, of which 5,400 is reserved for Greenland vessels, and the remainder for EU vessels.

The distribution of the quota between coastal and deep-sea fishing remains unchanged, with 57% for deep-sea fishing, with a 25% landing requirement, and 43% for coastal fishing.

Royal Greenland has once again experienced a major 21% downturn in first sales of prawns, compared to last year. Supplies of prawns to the on-shore factories were reduced by 36% in relation to 2006/07. It has not been possible to compensate for this drastic fall through external purchases of raw materials, in Greenland or outside Greenland.

The decline in volumes should be seen in the light of the reduced quota and increased competition for raw materials in Greenland. The competing prawn processing plant in Aasiaat has been in operation throughout the year, which has meant reduced supplies to Royal Greenland.

The situation which obtained last year, when fishing for prawns in West Greenland took place considerably further north than in previous years, remained unchanged this year, and little fishing took place south of Sisimiut.

With the quota reductions of the past two years and an expected further reduction in 2010, there is an urgent need for capacity adjustments on both land and sea. Several coastal ship companies have a quota share which is too small, and only the possibility of transferring the deep-sea quota to the coastal fishing has made it possible to maintain a reasonable stability of supply to the on-shore plants. With an anticipated quota reduction in 2010, there will hardly be any quotas to transfer, and many companies will only have quotas sufficient for 7-8 months of fishing.

Activities have greatly increased in Ilulissat, but have remained unchanged in Sisimiut. Activities in Paamiut, on the other hand, have been considerably reduced, which should be seen in the light of the northward migration of the prawn resources. In general, the prawn factories have enjoyed good operations and increasing efficiency, resulting in large cost savings. The major challenge has been the high first sales prices for prawns, in combination with the market conditions.

**Halibut**

Due to continuing unsatisfactory conditions in Disko Bay, the TAC for Disko Bay was reduced to 8,800 tonnes in 2009 – a considerable drop in relation to 2008, when the TAC was 12,500 tonnes. Reported catches in Disko Bay have fallen from 12,000 tonnes in 2006 to 7,700 tonnes in 2008, which supports the negative trend in the TAC. The TACs of 5,000 tons each for Uummannaq and Upernavik, respectively, are unaltered. The quotas in Disko Bay and Uummannaq rely on biological advice, while such advice is still lacking for the area around Upernavik.

First sales in Disko Bay fell by 28% compared to last year, which also saw a significant drop in relation to the previous year. In Uummannaq the fishing has been satisfactory, and the quota was by and large fully fished by the end of September. Supplies have been on a par with the previous year.

Trends in size distribution have been unfavourable, with a 2% drop in the number of large fish, which now comprise less than 20% of the total. This trend has been particularly marked in Disko Bay in recent years, but is also increasing in the Uummannaq area. The proportion of small fish in Disko Bay in the current year was 85%, as against 82% in the previous year. In Uummannaq, small fish comprised 82%, compared with 76% last year.

Royal Greenland is the only seafood company in Greenland that processes halibut subject to landing requirements, i.e. agreements have been entered into with other companies to provide supplies to Royal Greenland. The fish are primarily produced in Qasigiannguit, where production of halibut subject to landing requirements has secured continual employment throughout the year.

Production of halibut has been closed down in Ilulissat, and all fillet processing now takes place in Qasigiannguit, where investments have been made to increase capacity and extend processing capabilities.

**Crabs**

The supply of crabs to Royal Greenland has increased to 2,100 tons, a rise of 60%. This is due to Royal Greenland's start-up of crab production in Qeqertarsuaq, together with deep-sea quotas supplied to on-shore plants.

Supplies in Paamiut and Sisimiut have been satisfactory. The quota has been fully fished in both Sisimiut and Paamiut, whereas there were formerly problems with fully fishing the quota in Paamiut.

**Cod**

In 2009 the TAC for cod was set to 20,000 tons, divided between 10,000 tons for coastal fishing and 10,000 tons for deep-sea fishing, in which the EU has a considerable share. First sales of cod fell by approximately 10% in relation to last year. In general, the market for cod collapsed in 2008/2009, with the value of cod falling by more than 50%, resulting in considerable challenges in both earnings and sales.

First sales prices fell, and restrictions were introduced in some places, resulting in a drop in first sales of cod. Overall, however, cod is still considered to be a strategic focus area for Royal Greenland, and at several locations in Greenland processing has been introduced to increase the market value.

**Villages**

Seasonal operations have been introduced in a number of village plants due to the poor economy of village operations, and it was decided to close three village plants. As a result, only two village plants will be open all year round. The focus is on production for the domestic market, and on lump-sucker roe.

In order to maintain activity in the villages, Greenland Home Rule agreed to subsidise village operations until the New Year, after which time activities will return to the original decision to introduce seasonal operations and plant closures. This decision and the subsidies reduced the overall deficit in village operations compared to last year, but it remains a loss-giving activity.

Sales of products to the domestic market in Greenland are increasing, and growth is expected to continue in this area in both turnover and earnings.

**Trawlers**

Royal Greenland's fleet currently consists of three prawn trawlers, a trawler for cod, halibut, etc., and a first sales vessel. In addition to this, the Company also participates in other trawlers via co-ownership with other companies.

Prawn fishing fell by 25% compared with 2007/08. In response to the quota developments and excess trawler capacity, a trawler has been chartered out for prawn fishing in Canada, as part of the 12-point plan. On an annual basis, this will provide Royal Greenland with savings of DKK 18 million per year.

Fishing for cod, halibut, haddock and coalfish with the trawler Sisimiut has proceeded according to plan throughout the financial year, including fishing in the Barents Sea. However, the poorer market conditions for cod have entailed a lower level of activity, and 11% fewer fish have been caught than last year.

Two trawlers underwent shipyard visits in 2008/09.

**Germany**

Production in Germany has endured difficult conditions in 2008/09. The poor profit performance of the factory in Wilhelmshaven is one of the main reasons for the unsatisfactory Group result. The problems were caused by a generally negative market trend, particularly in the German market, which has entailed lower volumes for the factory. At the same time, the trend in the US dollar and poor fishing conditions in Russia produced rapidly rising prices in raw materials for a period, for which it was only possible to compensate in the latter part of the year, with increased sales prices. Seafood products also lost market share to meat, particularly chicken. Despite the consumers' wish for healthier products, it can be observed that price plays a decisive role in the market.

The difficult market conditions have intensified the already sharp price competition in the German market.

**Poland**

Despite the considerable progress shown by the factory in Koszalin, problems of running-in and efficiency remain. The factory is a year behind schedule in relation to the original start-up plan, for which reason the operational challenges must be expected to continue in the coming year, though not at anything like the level seen in the past year.

In addition to the challenges relating to efficiency, there are also a wide range of technical problems at the plant which are attributable to the construction phase, and which in some cases have hindered the optimisation of operations as planned.

The goals for the Koszalin project are unaltered, but expectations are that the running-in period will last longer than expected. The factory is strategically important to Royal Greenland, and while it will contribute a zero result in the current year, it is expected to make a positive contribution in the coming years.

**Denmark**

Trends in the prawns in brine market have been negative. Volumes have been more or less maintained, but competition in the market continues to increase due to spare capacity and large amounts of Canadian prawns, which are subject to low customs duties. With the adoption by the EU of a further reduction in duties on Canadian prawns for processing in the EU, the competitive situation is expected to become further sharpened in the coming years.

In January, a new MAP factory in Glyngøre was inaugurated. The plant is highly automated, and production processes have been considerably improved. The plant is operating entirely as intended, and has achieved marked savings in labour costs and a high and uniform product quality.

Activities have fallen at the prawn packing plant in Aalborg, due to a lack of competitiveness in relation to packing plants established in Russia. More prawns are now being exported as bulk goods to Russia, instead of, as previously, being repacked in Aalborg.

**Canada**

Production in Canada has proceeded satisfactorily. Supplies of raw materials have been greater than last year, and the factory is undergoing a positive development. A major refurbishment was carried in the course of the year which has brought about improved efficiency and better capacity.

MSC certification of the fishing in Quebec during the year has resulted in improved demand for prawns from the factory in Canada.

**China**

Activities in China have been on a par with last year and were based on the processing of own raw materials and purchases of intermediate products, both of these with a view to further processing in Poland and Germany.

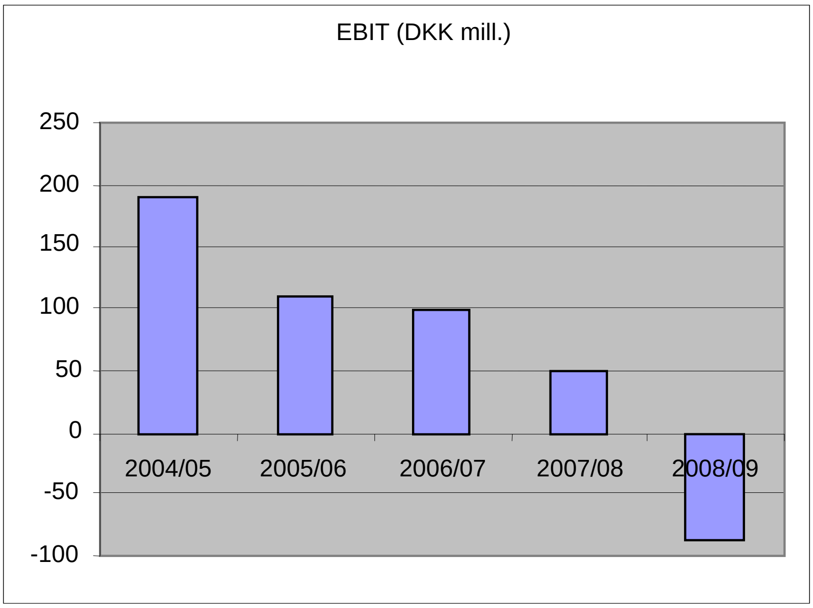
In general, the labour situation has improved in China, due to the effect of the financial crisis on the Chinese employment situation. However, future labour shortages are likely to continue to be the most critical factor for continued development.

Processing and sourcing in Vietnam was established during the year as a supplement to China, and these activities are expected to increase in the coming year.

**Accounts**

Turnover was down by 8% compared to 2007/08, and the main earnings result (EBIT) fell by DKK 136 million to DKK (86) million.

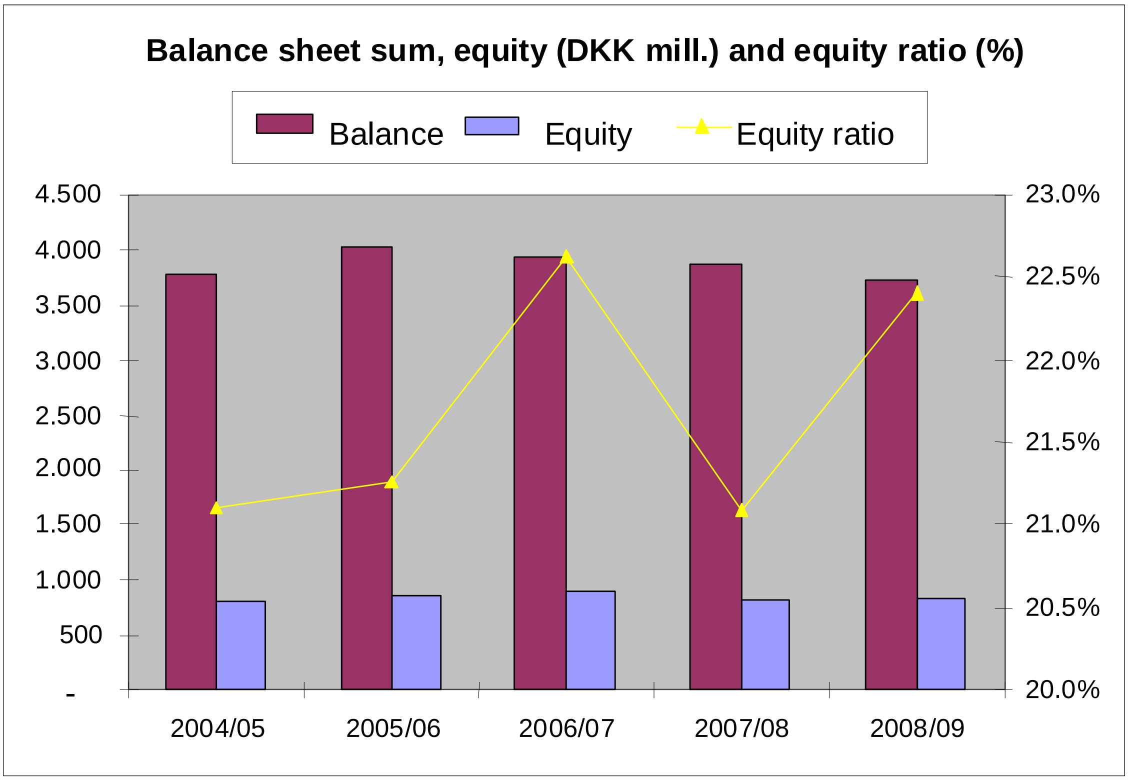
The fall was partly due to declining sales, as well as considerably poorer earnings on the range from Wilhelmshaven, and on boiled/peeled prawns and Japanese products. The factory in Wilhelmshaven alone was responsible for a drop in EBIT of DKK 67 million, while boiled and peeled prawns accounted for a fall of DKK 35 million. The negative trend was caused by high raw materials prices, for which it was not possible to obtain compensation in the sales sector, and by falling levels of consumption, due in part to the financial crisis.

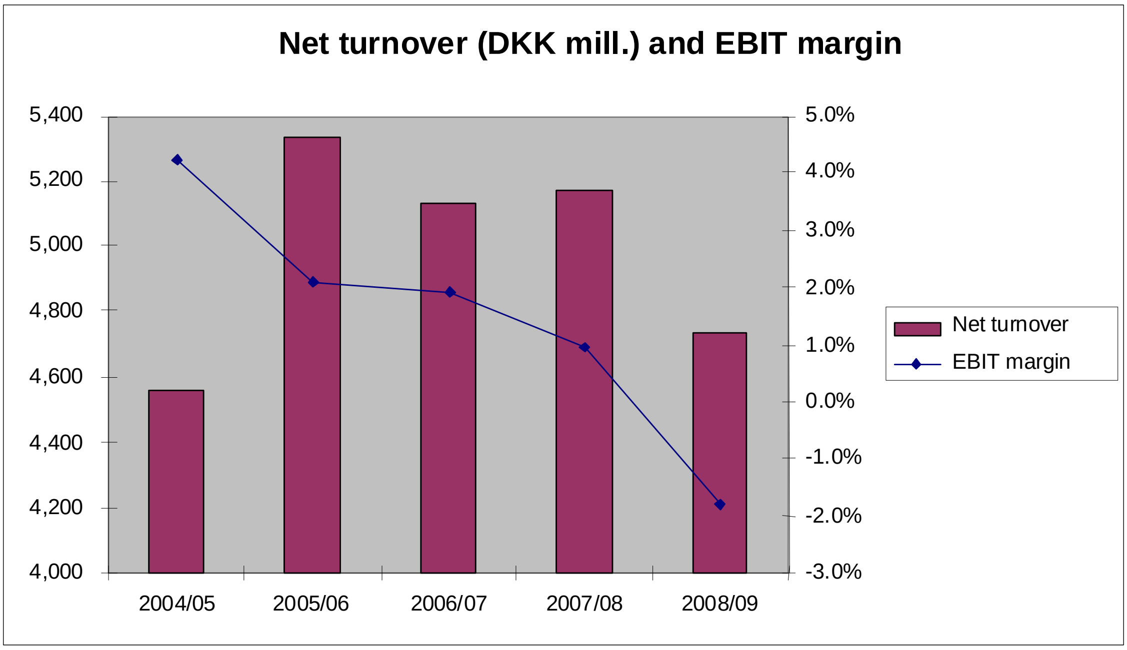


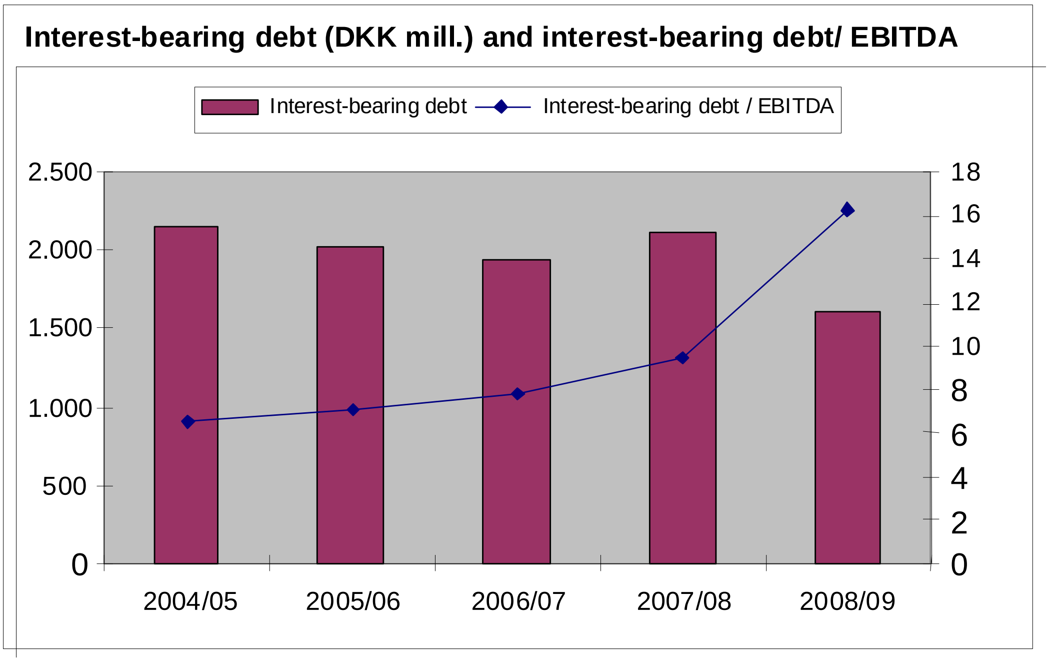

The plan of action initiated was unable to restore the overall result, but improved the company's earnings for the final three months of the financial year and brought it back into profit, despite a lower level of activity. The result for the year is a deficit of DKK 196 million, which can be explained by the negative development in EBIT, together with rising financial costs as a consequence of the company's considerable level of interest-bearing debt. It proved however possible in the course of the year to reduce the interest-bearing debt by DKK 502 million, partly as a consequence of the DKK 250 million capital injection, and partly by reducing the level of working capital. Despite the negative result, it has thereby been possible to create a positive cash flow of DKK 237 million from operations.

The net interest-bearing debt amounts to DKK 1,612 million, and comprises a factor of 16.3 in relation to EBITDA, but is expected to improve substantially in parallel with an improving EBITDA result. Reduction of working capital and the net interest-bearing debt remain important focus areas, and further reductions in these are expected in the coming year.

The Company's equity ratio comprises 22.4%, as against 21.1% last year. Including the subordinated loan, the equity ratio comprises 29.1%.


Balance sheet sum, equity (DKK mill.) and equity ratio (%)
Balance
Equity
Equity ratio
4.500
4.000
3.500
3.000
2.500
2.000
1.500
1.000
500
-
23.0%
22.5%
22.0%
21.5%
21.0%
20.5%
20.0%
2004/05
2005/06
2006/07
2007/08
2008/09


Net turnover (DKK mill.) and EBIT margin
5,400
5,200
5,000
4,800
4,600
4,400
4,200
4,000
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
2004/05
2005/06
2006/07
2007/08
2008/09
Net turnover
EBIT margin




**Human resources**

Royal Greenland's HR activities during the financial year were adapted to the general situation for the Group. At the same time, the focus has been on strengthening leadership in order to create the conditions for staff well-being and improved results. As a practical step towards achieving better results, several new tools have been introduced which will focus on making performance, targets and following-up a natural hub of daily life.

Due to geographical dispersion, differences in level of skill, and cultural differences within the Group, HR activities are prioritised and adapted to match the current needs in the Group's various parts.

In Greenland, around 100 of our unskilled staff members have commenced semi-skilled worker training in order to enhance the professional and personal skills of this group of staff. Our unskilled staff have a major influence on our daily production, and such training can also pave the way for them to take up further training or education in future.

In Greenland, talent development, trainee programmes and management training are being undertaken which will ultimately help to enhance management skills. The first group has now successfully completed the talent development programme, and it is planned that a second group will commence at the beginning of 2010. Our trainees have made good progress, and will be posted to selected departments in Europe during 2010. Management training is being continued in order to strengthen the leadership, partly on the basis of the results of the staff satisfaction survey held in Greenland.

Staff satisfaction surveys have been held at our four largest locations in Greenland, Denmark and Wilhelmshaven. The purpose of these surveys is to focus on staff well-being and leadership, both of which are essential elements in the forward-looking results strategy. The survey results have generally been satisfactory at all locations. Points requiring further development have been identified for individual managers and departments, as well as for individual locations.

The number of new recruitments over the past year has been below average. Fewer people have resigned from their positions, and it has also been easier to find and employ suitable job candidates. We have in particular experienced considerable stability among our employees in Greenland.

We continue to find it difficult to attract the necessary high-season manpower at several of the factories in Greenland. Over the past year, work has been done on various solution models. It is our hope that in the current financial year, in co-operation with the public authorities, we may be able to find a lasting solution to this problem.

**Environmental performance and responsible fishing**

Royal Greenland's vision is to be a trend-setting and preferred supplier of seafood, but not at any price. It is important for Royal Greenland that the Company should act in a responsible manner towards its staff, business associates, customers and the societies in which we operate. In particular, the consumers' increasing interest in environmental matters must be incorporated into our business principles. The Company has therefore formulated policies for responsible fishing, external environmental behaviour and ethics.

In conformity with the Group's values, targeted and conscious work is being performed with environmental issues and responsible fishing in all operations. This is being done through co-operation with public authorities and suppliers, focusing for example on the reduction of pollution, energy and water consumption, and on waste management and reduction.

Royal Greenland is known as a trustworthy and quality-conscious supplier, and most of the factories are certified according to the British BRC standard or the German IFS standard.

As part of its policy for responsible fishing, Royal Greenland does not purchase "black fish" caught illegally outside the quotas, and in Europe the Company is one of the leading actors in the fight against this kind of illegal fishing. Furthermore, the Company does not buy plaice caught by bottom trawling, a method suspected of damaging plant and animal life on the sea bed. Royal Greenland is encountering increasing awareness of these factors among its customers. MSC-certified products are in increasing demand, and the factories in Canada, Germany, Poland and Denmark are all certified to produce these. The Marine Stewardship Council, MSC, is a recognised independent and international organisation which aims to secure the responsible exploitation of marine resources, and thereby ensure that we can continue to be able to catch fish and shellfish. Work has been commenced to secure MSC certification for Greenland prawns and halibut. The latest indications from the Greenlandic government are that the necessary official support will be available for concentrated work to achieve this certification.

**Events following the conclusion of the financial year**

No material events have occurred subsequent to the conclusion of the financial year which have a bearing on the annual report.

**The future**

The financial year 2008/09 has been a very difficult year, and has aggravated the challenges facing Royal Greenland. However, with the initiatives commenced under the plan of action and the capital injection undertaken in June 2009, the Company has increased its strength during the second half of the year, with positive results in the final four months and a reduction in the interest-bearing debt, the latter partly as a consequence of the capital injection, but also through a positive cash flow.

A tougher business approach will be required in relation to the individual areas of activity, in order to ensure that resources and investments are utilised in the revenue-generating activities. The initiatives contained in the plan of action will form the basis for the Company's future strategy, and will extend the positive platform created by the plan of action to support future growth and earnings. The strategy must also be based on a dialogue with the owners, implemented with due regard to the social obligations arising from the Company's Greenlandic ownership, and which in the recently concluded financial year has been a great source of strength to Royal Greenland.

Activities are expected to fall by 6% next year as a consequence of the increased focus on earnings and restructuring activities, but also due to an anticipated drop in the level of living resources in Greenland. This further sharpens the requirements towards the operation of the factories and trawlers in Greenland, including the need for structural adjustment.

Primary operations are expected to improve considerably in 2008/09 in terms of both amounts and profit margins, which is supported by the plan of action and the positive earnings achieved in the final four months of the financial year.

In the long term, the aim is to achieve an EBIT margin of 5%, and next year an EBIT margin of 2.5 - 3.0% is anticipated, corresponding to a level of DKK 110-130 million.

Despite a considerable improvement in primary operations, profits are expected to be modest, as Royal Greenland's interest-bearing debt is of a size which incurs high financing costs. The high burden of the interest-bearing debt is inherited from former periods. It is therefore important that in parallel with the emphasis on earnings, attention is also directed to the Company's capital structure, including reducing working capital.

## Risks

### Raw materials

Trends in the access to and prices of raw materials comprise a significant operating risk for Royal Greenland. The risk in relation to access to raw materials mainly relates to the living resources in the waters around Greenland. These comprise 30% of Royal Greenland's total raw materials base, and have in recent years shown a decreasing trend. Continued optimisation and a higher degree of processing is important in order to maintain earnings on these resources.

The challenge in relation to the prices of raw materials applies to Royal Greenland's total purchases, which amount to DKK 2,121 million. The task is to continually maintain relative earnings despite the trends in raw materials prices. This risk has proved highly relevant over the past year, and efforts have been made to counteract it via shorter-term contracts and back-to-back coverage.

### Financial exposure

As a consequence of its operations, investments and financing, Royal Greenland is vulnerable towards alterations in exchange rates and interest levels. The parent company centrally manages the Group's financial risks and coordinates its liquidity control, including capital generation and the investment of surplus liquidity. The Group pursues a financial policy which operates with a low-risk profile, so that currency exposure, interest rate exposure and credit risks arise only in connection with commercial affairs.

The Group's use of derivatives is regulated by a written policy adopted by the board of directors, and by internal working procedures which, amongst other things, lay down limits and specify which derivative financial instruments may be applied.

**Exchange rate exposure**

The Group's activities are influenced by exchange rate fluctuations, as sales are primarily invoiced in foreign currency, while costs, including salaries, are incurred in DKK, EUR, PLN and USD. The Group will thus be exposed in net positions in a number of currencies. 92% of the Group's turnover derives from countries other than Denmark, primarily countries in the euro zone, along with Japan, Sweden, the UK and the USA. Revenues in EUR and DKK comprise approximately 69% of Royal Greenland's total revenues, and are thus not assessed to represent a serious exchange rate risk. The Group is also influenced by fluctuations in exchange rates as a consequence of the fact that the profit and equity of a number of subsidiaries is translated into Danish kroner at year-end on the basis of the average exchange rates and balance sheet date rates, respectively.

Royal Greenland's currency exposure is mainly covered by matching incoming and outgoing payments in the same currency, and through forward contracts. The Group's currency policy is to hedge at least 75% of the expected exchange rate exposure within the first six months of the year, and thereafter at least 50% of the exchange rate exposure in the remaining six-month period, together with larger contracts which are settled individually. The exchange rate exposure in relation to the euro is not hedged.

**Interest rate exposure**

The interest-bearing debt is mainly denominated in DKK and EUR. Divided between variable and fixed-interest debt, the variable part comprised 43% at the close of the financial year. A rise of one percentage point in the general rate of interest would induce a rise of approximately DKK 8 million in the Group's annual interest expenses.

Royal Greenland's large burden of interest-bearing debt exacerbates the financial risks, for which reason a further reduction in this debt is a strategically important focus area for the Company.

**Accounting policies**

## Basic of accounts

The annual report of Royal Greenland A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act governing state-owned limited companies in reporting class D enterprises and Danish accounting standards.

The annual report has been presented applying the same accounting policies as last year.

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the assets can be measured reliably.

Liabilities are recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Group, and the value of the liabilities can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement as financial income or financial expenses.

### Consolidation

The consolidated financial statements include Royal Greenland A/S (Parent) and the group enterprises (subsidiaries) in which the Parent directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling interest. Some subsidiaries have been omitted from the consolidation in accordance with the Danish Financial Statements Act § 114 article 2. Enterprises in which the Group has significant, but not controlling influence, are regarded as associates. The Group structure is shown in the Management's Review.

The consolidated financial statements consolidate the financial statements of the Parent and of the individual subsidiaries which have all been prepared applying group accounting policies. Intra-group receivables and payables, income and expenses, dividends, unrealised internal profits and losses are eliminated along with intra-group shareholdings.

**Business combinations**

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied in the acquisition of new enterprises where the Parent obtains a controlling interest. Under this method, identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. On acquisition of enterprises provisions are made for costs relating to decided and published restructurings in the acquired enterprise. Allowance is made for the tax effect of the restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life, however, no more than 20 years. Negative differences in amount (negative goodwill), corresponding to an estimated adverse development in the relevant enterprises, are recognised in the balance sheet as deferred income, and they are recognised in the income statement as such adverse development is realised.

At intra-group restructurings the consolidation method is applied.

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill, former price adjustments and estimated divestment or winding-up expenses. Profits and losses are recognised in the income statement.

**Minority interests**

Group profit/loss and group equity includes a separate item, which specifies the proportionate share of the subsidiaries' profit/loss and equity attributable to minority interests.

**Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date, are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

The income statements of foreign subsidiaries and associates are translated into Danish kroner using the annual average rate of exchange and the balance sheets are translated using the rate of exchange in effect on the balance sheet date. Differences in the exchange rate, which arise when translating the foreign subsidiaries' equity at the beginning of the year at the rates of exchange ruling at the balance sheet date are recognised directly on equity. This also applies to exchange rate differences arising out of the translation of the income statement from annual average rates of exchange to the exchange rates ruling at the balance sheet date.

### Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under prepayments under assets and liabilities respectively.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging of the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly on equity. When the hedged transactions are realised, the changes are recognised in the relevant items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

## Income statement

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts.

**Other operating income and expenses**

Other operating income and expenses comprise income and expenses of a secondary nature to the Group's primary activities.

**Research and development costs**

Research and development costs comprise costs, including wages and salaries, attributable to the research and development activities carried out by the Group.

Research costs are recognised in the income statement in the year in which they are paid.

Development costs paid in relation to maintenance and optimisation of existing products or production processes are expensed. Costs related to the development of new products are recognised in the income statement unless the criteria for recognition in the balance sheet have been met for the individual development project.

**Financial income and expenses**

These items comprise interest income and expenses, the interest portion of finance lease payments, realised and unrealised capital gains and losses on securities, payables and transactions in foreign currencies, mortgage amortisation premium relating to mortgage debt, cash discounts etc as well as tax surcharge and repayment under the Danish Tax Prepayment Scheme.

**Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit/loss for the year and recognised directly on equity by the portion attributable to entries directly on equity. The portion of the tax taken to the income statement, which relates to extraordinary profit/loss for the year, is allocated to this entry whereas the remaining portion is taken to the year's profit/loss from ordinary activities.

The current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognised and measured applying the liability method on all temporary differences between the carrying amount and tax-based value of assets and liabilities, where the tax-based value of assets is calculated based on the planned use of each asset. Deferred tax is not allocated on stocks in subsidiaries according to the planned use. Deferred tax is measured based on the tax regulations and tax rates of the relevant countries that will be in effect, using the laws at the balance sheet date, when the deferred tax is estimated to be triggered as current tax. Changes in deferred tax resulting from changed tax rates are recognised in the income statement.

Deferred tax assets, including the tax base of tax loss carryforward, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

## Balance sheet

### Intangible assets

*Goodwill and goodwill on consolidation*

Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The amortisation period is usually 5 years, however, it may be up to 20 years for strategically acquired enterprises with a strong market position and a long-term earnings profile if the longer amortisation period is considered to give a better reflection of the Group's benefit from the relevant resources.

The carrying amount of goodwill is assessed currently and written down to recoverable amount if the carrying amount exceeds the estimated future net income from the enterprise or activity to which the goodwill is related.

*Quotas, IT and licences*

Acquired intangible rights in the form of quotas, IT and licences are measured at cost less accumulated amortisation. Amortisation is carried out on a straight-line basis over a period of five years. Intangible rights acquired are written down to the lower of recoverable amount and carrying amount.

*Development costs*

Development costs comprise costs, wages and salaries and amortisation directly and indirectly attributable to the Company's development activities and which comply with the criteria for recognition in the balance sheet.

Capitalised development costs are measured at the lower of cost less accumulated amortisation and recoverable amount.

Capitalised development projects are amortised straight-line on the basis of the completion ratio of the development project over the estimated economic life of the project. The period of amortisation is usually 5-10 years.

**Property, plant and equipment**

Land and buildings, vessels, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. For company-manufactured assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Interest expenses on loans for financing the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other financing costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Vessels | 7 to 16 years |
| Plant included in the item "vessels" | 5 to 10 years |
| Plant and machinery | 5 to 10 years |
| Other fixtures and fittings, tools and equipment | 3-5 years |

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Profits and losses from the sale of property, plant and equipment are calculated as the difference between selling price minus selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement with depreciation and impairment losses.

**Fixed asset investments**

*Investments in subsidiaries and associates*

Investments in subsidiaries and associates are recognised and measured under the equity method. This means that in the balance sheet investments are measured at the pro rata share of the enterprises' equity, cf. description above under consolidated annual report, plus or less unamortised goodwill or negative goodwill on consolidation and plus or minus unrealised intra-group profits and losses.

The Parent's share of the enterprises' profits or losses after elimination of unrealised intra-group profits and losses and minus or plus amortisation of positive, or negative, goodwill on consolidation is recognised in the income statement.

Subsidiaries and associates with a negative equity value are measured at zero value, and receivables from these enterprises are written down by the Parent’s share of such negative equity value if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognised under provisions if the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise.

Net revaluation of investments in subsidiaries and associates is taken to reserve for net revaluation under the equity method if the carrying amount exceeds cost.

*Other fixed asset investments*

Other fixed asset investments primarily include long-term receivables and unlisted investments.
Investments and receivables not held to maturity are measured at cost on acquisition and subsequently at fair value. If the fair value cannot be fixed reliably, the measurement is made at cost.

Receivables held to maturity are measured at cost on acquisition and are subsequently measured at amortised cost.

In the event that fixed asset investments are written down to a lower value, such writedown takes into account the risk of loss associated with each individual asset.

**Inventories**

Stock of raw materials is measured at the lower of cost using weighted average prices or net realisable value.

Stock of consumables comprises for instance packaging, operating goods and fish boxes.

Stock of fish boxes is measured at a fixed amount. Supplementary acquisition of gear is expensed on a current basis.

All other stocks of consumables are measured at the lower of cost using the FIFO method and net realisable value.

Goods in progress and finished goods, including finished goods produced on board own trawlers, are measured at the lower of cost using weighted average prices or net realisable value. Cost of manufactured goods consists of costs of raw materials, consumables and direct labour costs as well as indirect production overheads. Indirect production overheads are allocated on the basis of the normal capacity of the individual production entities. Indirect production overheads comprise indirect materials and labour costs, costs of maintenance of and depreciation and impairment losses on trawlers, factory buildings, machinery and equipment applied for the manufacturing process as well as costs of factory administration and management.

**Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less provisions for bad debts.

**Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to the nominal value.

**Equity**

Dividends are recognised as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item under equity.

**Provisions**

Provisions are recognised when the Group has a legal and constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company to meet the obligation.

Provisions that are estimated to mature more than one year after the balance sheet date are discounted at the average bond yield.

**Liabilities other than provisions**

*Financial liabilities*

Liabilities are measured at cost at the time of borrowing corresponding to the proceeds received less transaction costs incurred. The liability is subsequently measured at amortised cost, which corresponds to the capitalised value when using the effective interest method so that the difference between the proceeds and the nominal value is included in the income statement over the borrowing period.

If a financial liability has been sufficiently hedged by a derivative financial instrument, the financial liability is measured at fair value and any changes in the fair value are recognised in the income statement under other financial items along with changes in the fair value of the derivative financial instrument.

*Other financial liabilities*

Other financial liabilities are recognised at amortised cost which usually corresponds to nominal value.

**Prepayments**

Deferred income comprises received income for recognition in subsequent financial years. Prepayments are measured at amortised cost which usually corresponds to the nominal value.

## Cash flow statement

The cash flow statement of the Group is presented using the indirect method and shows cash flows from operating, investing and financing activities as well as the Group's cash and cash equivalents at the beginning and the end of the financial year. No separate cash flow statement has been prepared for the Parent because it is included in the consolidated cash flow statement.

Cash flows from acquisition and divestment of enterprises are shown separately under cash flows from investing activities. Cash flows from acquired enterprises are recognised in the cash flow statement from the time of their acquisition, and cash flows from divested enterprises are recognised up to the time of sale.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises and activities as well as purchase and sale of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank debt.

**Segment information**

The primary segment of the Group is the business segment. The geographical markets comprise the secondary segment. Information on business segments and geographical markets is in compliance with the internal financial ma-nagement of the Group.

Management is of the impression that the Group solely operates with one individual business segment why the business segment information required in respect net revenue, profit/loss before financial items, value of fixed assets and value of liabilities appears from the consolidated income statement and balance sheet.

The geographical markets are split into European countries and other markets.

**Financial highlights**

The financial highlights and ratios have been compiled as shown below:

| | | |
|---|---|---|
| EBIT margin | = | $\frac{\text{EBIT x 100}}{\text{Revenue}}$ |
| EBT margin | = | $\frac{\text{EBT x 100}}{\text{Revenue}}$ |
| ROIC including goodwill | = | $\frac{\text{EBITA x 100}}{\text{Average invested capital including goodwill}}$ |
| Return on equity (ROE) | = | $\frac{\text{Net profit/loss for the year x 100}}{\text{Average equity}}$ |
| Equity ratio | = | $\frac{\text{Equity x 100}}{\text{Balance sheet total}}$ |
| Net interest-bearing debt / EBITDA | = | Net interest-bearing debt<br>EBITDA |

## Income statement October 1st 2008 – September 30th 2009

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Note | Group 2008/09 DKK '000 | Group 2007/08 DKK '000 |
|---|---|---|---|---|---|
| 1,602,433 | 1,453,457 | Revenue | 1 | 4,740,777 | 5,173,138 |
| (11,417) | (66,863) | Change in inventories of finished goods | | (240,715) | 87,607 |
| 6,558 | 10,843 | Other operating income | 2 | 13,183 | 14,698 |
| **1,597,574** | **1,397,437** | | | **4,513,245** | **5,275,443** |
| (626,290) | (594,859) | Costs of raw materials and consumables | | (3,014,184) | (3,508,911) |
| (402,548) | (363,638) | Other external expenses | | (744,756) | (811,741) |
| (430,201) | (374,813) | Staff costs | 3 | (655,489) | (730,838) |
| (113,251) | (84,321) | Depreciation, amortisation and impairment losses | 4 | (184,961) | (173,942) |
| **25,284** | **(20,194)** | **Operating profit** | | **(86,145)** | **50,011** |
| (53,257) | (158,528) | Profit/loss from investments in group enterprises | 5 | (2,505) | (1,946) |
| (3,475) | 945 | Profit/loss from investments in associates | 6 | 3,350 | 1,319 |
| 73,046 | 75,227 | Other financial income | 7 | 99,278 | 62,409 |
| (118,423) | (91,902) | Other financial expenses | 8 | (223,735) | (160,449) |
| **(76,825)** | **(194,452)** | **Profit before tax** | | **(209,757)** | **(48,656)** |
| (684) | (1,555) | Tax on profit | 9 | 17,417 | (26,611) |
| **(77,509)** | **(196,007)** | **Profit after tax** | | **(192,340)** | **(75,267)** |
| - | - | Minority interests' share of profit/loss after tax of group enterprises | | (3,667) | (2,242) |
| **(77,509)** | **(196,007)** | **PROFIT FOR THE YEAR** | | **(196,007)** | **(77,509)** |
| | | **Proposed distribution of profit** | | | |
| (647) | 34,100 | Reserve for net revaluation according to the equity method | | | |
| (76,862) | (230,107) | Retained earnings | | | |
| **(77,509)** | **(196,007)** | | | | |

## Assets at September 30th

| Parent 2008 DKK '000 | Parent 2009 DKK '000 | | Note | Group 2009 DKK '000 | Group 2008 DKK '000 |
|---|---|---|---|---|---|
| **25,177** | **13,957** | **Intangible assets** | 10 | **46,355** | **61,139** |
| 165,090 | 157,695 | Buildings | | 379,814 | 402,155 |
| 105,133 | 89,085 | Plant and machinery | | 340,959 | 370,998 |
| 269,754 | 233,324 | Vessels | | 338,886 | 360,558 |
| 14,434 | 10,439 | Other fixtures and fittings, tools and equipment | | 17,224 | 22,335 |
| 17,524 | 34,292 | Fixed assets in progress | | 48,782 | 59,293 |
| **571,935** | **524,835** | **Property, plant and equipment** | 11 | **1,125,665** | **1,215,339** |
| 530,202 | 357,208 | Investments in group enterprises | 12 | 3,474 | 0 |
| 0 | 33,323 | Receivables from group enterprises | 13 | 0 | 0 |
| 55,451 | 55,152 | Investments in associates | 12 | 82,638 | 75,669 |
| 48,659 | 48,794 | Receivables from associates | 13 | 57,794 | 57,962 |
| 23,989 | 19,143 | Other fixed asset investments | 14 | 34,974 | 28,966 |
| 10,400 | 10,400 | Deferred tax asset | 19 | 14,325 | 12,506 |
| **668,701** | **524,020** | **Fixed asset investments** | | **193,205** | **175,103** |
| **1,265,813** | **1,062,812** | **FIXED ASSETS** | | **1,365,225** | **1,451,581** |
| **435,601** | **359,734** | **Inventories** | 15 | **1,173,381** | **1,458,402** |
| 8,851 | 8,115 | Trade receivables | | 655,429 | 857,238 |
| 1,182,806 | 1,245,733 | Receivables from group enterprises | | - | - |
| 367 | 983 | Receivables from associates | | 7,245 | 373 |
| 13,548 | 1,419 | Other receivables | 16 | 37,570 | 52,880 |
| 2,793 | 14,337 | Prepayments | 17 | 20,910 | 7,418 |
| **1,208,365** | **1,270,587** | **Receivables** | | **721,154** | **917,909** |
| **81** | **367,809** | **Cash** | | **457,334** | **41,426** |
| **1,644,047** | **1,998,130** | **CURRENT ASSETS** | | **2,351,869** | **2,417,737** |
| **2,909,860** | **3,060,942** | **ASSETS** | | **3,717,094** | **3,869,318** |

## Equity and liabilities at September 30th

| Parent 2008 DKK '000 | Parent 2009 DKK '000 | | Note | Group 2009 DKK '000 | Group 2008 DKK '000 |
|---|---|---|---|---|---|
| 600,000 | 850,000 | Share capital | | 850,000 | 600,000 |
| 0 | 0 | Reserve for net revaluation under the equity method | | 0 | 0 |
| 215,871 | (18,918) | Retained earnings | | (18,918) | 215,871 |
| **815,871** | **831,082** | **EQUITY** | | **831,082** | **815,871** |
| **-** | **0** | **Minority interests** | 18 | **33,668** | **40,780** |
| 0 | 0 | Deferred tax | 19 | 20,198 | 36,740 |
| 10,785 | 9,500 | Other provisions | 20 | 31,684 | 32,410 |
| **10,785** | **9,500** | **PROVISIONS** | | **51,882** | **69,150** |
| 0 | 250,000 | Subordinated loans | | 250,000 | 0 |
| 0 | 0 | Mortgage debt | | 161,311 | 190,124 |
| 1,269,712 | 1,519,303 | Other credit institutions | | 1,521,521 | 1,273,553 |
| **1,269,712** | **1,769,303** | **Long-term liabilities other than provisions** | 21 | **1,932,832** | **1,463,677** |
| 261,139 | 0 | Short-term portion of long-term liabilities other than provisions | | 28,948 | 288,784 |
| 82,299 | 0 | Credit institutions | | 107,084 | 403,245 |
| 61,914 | 54,190 | Trade payables | | 203,721 | 293,891 |
| 46,275 | 10,108 | Payables to group enterprises | | - | - |
| 0 | 1,532 | Income taxes | 9 | 6,611 | 35,679 |
| 132,950 | 119,212 | Other payables | 22 | 198,544 | 223,130 |
| 228,915 | 266,015 | Deferred income | 23 | 322,722 | 235,111 |
| **813,492** | **451,057** | **Short-term liabilities other than provisions** | | **867,630** | **1,479,840** |
| **2,083,204** | **2,220,360** | **LIABILITIES OTHER THAN PROVISIONS** | | **2,800,462** | **2,943,517** |
| **2,909,860** | **3,060,942** | **EQUITY AND LIABILITIES** | | **3,717,094** | **3,869,318** |

| | |
|---|---|
| Assets charged and contingent liabilities | 24 |
| Other notes | 25-28 |

## Statement of changes in equity

### Parent

| DKK '000 | Share capital | Reserve under the equity method | Retained earnings | Total |
|---|---|---|---|---|
| Equity at September 30th 2007 | 600,000 | 197 | 293,427 | 893,624 |
| Exchange adjustment, foreign entities | 0 | (1,768) | 0 | (1,768) |
| Fair value adjustments recognised in equity | 0 | 310 | 2,162 | 2,472 |
| Other capital adjustments | 0 | 1,908 | (2,856) | (948) |
| Net profit for the year | 0 | (647) | (76,862) | (77,509) |
| **Equity at September 30th 2008** | **600,000** | **0** | **215,871** | **815,871** |
| Capital increase | 250,000 | 0 | 0 | 250,000 |
| Exchange adjustment, foreign entities | 0 | (32,661) | 0 | (32,661) |
| Fair value adjustments recognised in equity | 0 | (1,439) | (2,162) | (3,601) |
| Other capital adjustments | 0 | 0 | (2,520) | (2,520) |
| Net profit for the year | 0 | 34,100 | (230,107) | (196,007) |
| **Equity at September 30th 2009** | **850,000** | **0** | **(18,918)** | **831,082** |

The companys Share Capital consists of 850,000 stocks of 1,000 DKK or multiples. The Share capital is not divided into classes. There have been no changes in the Share capital since October 1st 2004 except for the capital increase in 2008/09.

### Group

| | | | | |
|---|---|---|---|---|
| Equity at September 30th 2007 | 600,000 | - | 293,624 | 893,624 |
| Exchange adjustment, foreign entities | 0 | - | (1,768) | (1,768) |
| Fair value adjustments recognised in equity | 0 | - | 2,472 | 2,472 |
| Other capital adjustments | 0 | - | (948) | (948) |
| Net profit for the year | 0 | - | (77,509) | (77,509) |
| **Equity at September 30th 2008** | **600,000** | **-** | **215,871** | **815,871)** |
| Capital increase | 250,000 | - | 0 | 250,000 |
| Exchange adjustment, foreign entities | 0 | - | (32,661) | (32,661) |
| Fair value adjustments recognised in equity | 0 | - | (3,601) | (3,601) |
| Other capital adjustments | 0 | - | (2,520) | (2,520) |
| Net profit for the year | 0 | - | (196,007) | (196,007) |
| **Equity at September 30th 2009** | **850,000** | **-** | **(18,918)** | **831,082** |

## Consolidated cash flow statement October 1st 2008 to September 30th 2009

| DKK '000 | Note | 2008/09 | 2007/08 |
|---|---|---|---|
| Net profit for the year | | (196,007) | (77,509) |
| Adjustments relating to net profit for the year | 29 | 297,519 | 298,808 |
| Working capital changes | 30 | 494,519 | 32,928 |
| Cash flows from operating activities before net financials | | 596,031 | 254,227 |
| Ingoing payments relating to financial items | | 7,234 | 22,457 |
| Outgoing payments relating to financial items | | (179,541) | (155,223) |
| Cash flows from ordinary activities | | 423,724 | 121,461 |
| Taxes refunded/(paid) | | (35,776) | (43,070) |
| **Cash flows from operating activities** | | **387,948** | **78,391** |
| Purchase of fixed assets | | (184,624) | (232,031) |
| Sale of fixed assets | | 29,667 | 35,557 |
| Dividends received from associates | | 3,824 | 8,092 |
| **Cash flows from investing activities** | | **(151,133)** | **(188,382)** |
| Capital increase | | 250,000 | 0 |
| Proceeds from obtaining subordinated loan | | 250,000 | 0 |
| Proceeds from obtaining/(instalments on) long-term liabilities | | (13,982) | (20,489) |
| Dividends paid during the year to minority interests | | (10,764) | (6,800) |
| **Cash flows from financing activities** | | **475,254** | **(27,289)** |
| **Increase/decrease in cash and cash equivalents** | | **712,069** | **(137,280)** |
| Cash and cash equivalents, beginning of year | | (361,819) | (224,539) |
| **Cash and cash equivalents, end of year** | 31 | **350,250** | **(361,819)** |

## Notes to the annual report

### 1. Net turnover

**Parent**

| Geographical markets | Revenue | |
|---|---|---|
| | **2008/09** DKK '000 | **2007/08** DKK '000 |
| Europe | 1,263,536 | 1,415,126 |
| Other markets | 189,921 | 187,307 |
| | **1,453,457** | **1,602,433** |

**Group**

| Geographical markets | Revenue | |
|---|---|---|
| | **2008/09** DKK '000 | **2007/08** DKK '000 |
| Europe | 3,900,865 | 4,207,203 |
| Other markets | 839,912 | 965,935 |
| | **4,740,777** | **5,173,138** |

### 2. Other operating income

| Parent | | | Group | |
|---|---|---|---|---|
| **2007/08** DKK '000 | **2008/09** DKK '000 | | **2008/09** DKK '000 | **2007/08** DKK '000 |
| 0 | 3,953 | Service agreement | 3,953 | 0 |
| 1,560 | 1,710 | Management Fees | 300 | 320 |
| 2,884 | 2,605 | Rental income | 3,231 | 3,380 |
| 0 | 1,800 | Hiring out personnel | 1,800 | 0 |
| 2,114 | 775 | Other operating income | 3,899 | 10,998 |
| **6,558** | **10,843** | | **13,183** | **14,698** |

## Notes to the annual report

### 3. Staff costs

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Group 2008/09 DKK '000 | Group 2007/08 DKK '000 |
|---|---|---|---|---|
| | | The total amount of wages and salaries etc is specified as follows: | | |
| 386,587 | 337,350 | Wages and salaries | 570,524 | 636,658 |
| 19,270 | 16,701 | Pension contributions | 41,080 | 41,557 |
| 24,344 | 20,762 | Other social security costs | 43,885 | 52,623 |
| **430,201** | **374,813** | | **655,489** | **730,838** |
| | | Of this total remuneration for the Parent's: | | |
| 10,124 | 9,900 | Executive Board, including bonus | | |
| 1,000 | 1,050 | Supervisory Board | | |
| 1,142 | 977 | Average number of employees | 2,080 | 2,213 |

### 4. Depreciation, amortisation and impairment losses

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Group 2008/09 DKK '000 | Group 2007/08 DKK '000 |
|---|---|---|---|---|
| 27,752 | 26,234 | Buildings | 37,915 | 37,751 |
| 38,935 | 32,264 | Plant and machinery | 76,653 | 73,462 |
| 40,124 | 31,280 | Vessels | 43,132 | 50,118 |
| 4,987 | 4,778 | Other fixtures and fittings, tools and equipment | 7,577 | 7,962 |
| - | - | Goodwill on consolidation | 2,888 | 2,888 |
| 5,258 | 6,828 | Quotas | 7,571 | 6,002 |
| 4,667 | 5,685 | Software | 5,698 | 4,673 |
| 0 | 0 | Licences | 48 | 41 |
| 0 | 0 | Received grants | (7,620) | (1,144) |
| (8,472) | (22,748) | (Gain)/loss from sale of fixed assets | 11,099 | (7,811) |
| **113,251** | **84,321** | | **184,961** | **173,942** |

## Notes to the annual report

### 5. Profit/loss from investments in group enterprises

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Group 2007/08 DKK '000 | Group 2006/07 DKK '000 |
|---|---|---|---|---|
| 1,696 | 3,485 | Profit | 0 | 0 |
| (60,562) | (149,875) | Loss | (2,505) | (1,946) |
| 5,609 | (12,138) | Change in intra-group profits | 0 | 0 |
| **(53,257)** | **(158,528)** | | **(2,505)** | **(1,946)** |

Profit/loss from investments in group enterprises in the Group concerns enterprises that are not consolidated pursuant to the Danish Financial Statements Act § 114 article 2.

### 6. Profit/loss from investments in associates

| | | | | |
|---|---|---|---|---|
| 1,028 | 2,061 | Profit | 8,446 | 6,762 |
| (4,498) | (1,109) | Loss | (3,639) | (5,437) |
| (5) | (7) | Depreciation of differential value | (1,457) | (6) |
| **(3,475)** | **945** | | **3,350** | **1,319** |

### 7. Other financial income

| | | | | |
|---|---|---|---|---|
| 0 | 0 | Realised capital gains | 1,660 | 12,982 |
| 12,259 | 16,377 | Unrealised capital gains | 92,044 | 39,952 |
| 55,123 | 55,465 | Interest from group enterprises | - | - |
| 53 | 0 | Interest on bank deposit | 894 | 863 |
| 4,428 | 3,132 | Income from fixed asset investments | 3,766 | 5,538 |
| 1,183 | 253 | Other financial income | 914 | 3,074 |
| **73,046** | **75,227** | | **99,278** | **62,409** |

## Notes to the annual report

### 8. Other financial expenses

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Group 2008/09 DKK '000 | Group 2007/08 DKK '000 |
|---|---|---|---|---|
| 10,777 | 292 | Realised capital loss | 71,417 | 28,440 |
| 0 | 0 | Unrealised capital loss | 44,194 | 5,226 |
| 105,074 | 86,135 | Interest on bank and mortgage debt | 107,626 | 122,815 |
| 21 | 12 | Other financial expenses | 498 | 3,968 |
| 2,551 | 5,463 | Interest to group enterprises | - | - |
| **118,423** | **91,902** | | **223,735** | **160,449** |

### 9. Tax on profit

| Parent 2007/08 DKK '000 | Parent 2008/09 DKK '000 | | Group 2008/09 DKK '000 | Group 2007/08 DKK '000 |
|---|---|---|---|---|
| (684) | (1,555) | Current tax for the year | (6,254) | 45 |
| 0 | 0 | Impact of changes in tax rate start of year | 5,400 | 0 |
| 0 | 0 | Adjustment to previous years | (567) | 0 |
| 0 | 0 | Deferred tax for the year | 18,838 | (26,656) |
| **(684)** | **(1,555)** | | **17,417** | **(26,611)** |
| | | **Reconciliation of tax rate** | | |
| 32% | 32% | Greenland tax rate | 32% | 32% |
| (2%) | 0% | Non-deductible goodwill | 0% | (2%) |
| (9%) | 0% | Adjustment of tax rate in foreign enterprises | 0% | (10%) |
| (20%) | (31%) | Adjustment for utilization of tax losses and other adjustments concerning previous years | (40%) | 35% |
| **1%** | **1%** | **Tax rate expensed** | **(8%)** | **55%** |

## Notes to the annual report

### 10. Intangible assets

**Parent**

| | Quotas DKK '000 | IT DKK '000 |
|---|---|---|
| Cost at October 1st 2008 | 83,003 | 27,082 |
| Additions for the year | 0 | 1,293 |
| Disposals for the year | 0 | (10,463) |
| **Cost at September 30th 2009** | **83,003** | **17,912** |
| | | |
| Amortisation and impairment losses at October 1st 2008 | (77,610) | (71,610) |
| Amortisation for the year | (6,828) | (5,685) |
| Amortisation regarding disposals for the year | 0 | 10.463 |
| **Amortisation and impairment losses at September 30th 2009** | **(78,438)** | **(8,520)** |
| | | |
| **Carrying amount at September 30th 2009** | **4,565** | **9,392** |
| | | |
| Carrying amount at September 30th 2008 | 11,393 | 13,784 |

## Notes to the annual report

### 10. Intangible assets (continued)

| Group | Group-goodwill DKK '000 | Quotas DKK '000 | IT DKK '000 | Licenses DKK '000 |
|---|---|---|---|---|
| Cost at October 1st 2008 | 43,322 | 86,720 | 27,105 | 647 |
| Value adjustment at closing price | 0 | 0 | (5) | 12 |
| Additions for the year | 0 | 0 | 1,375 | 37 |
| Disposals for the year | 0 | 0 | (10,463) | 0 |
| **Cost at September 30th 2009** | **43,322** | **86,720** | **18,012** | **696** |
| Amortisation and impairment losses at October 1st 2008 | (9,146) | (73,717) | (13,311) | (482) |
| Value adjustment at closing price | 0 | 0 | 3 | 0 |
| Amortisation for the year | (2,888) | (7,571) | (5,698) | (48) |
| Amortisation regarding disposals for the year | 0 | 0 | 10,463 | 0 |
| **Amortisation and impairment losses at September 30th 2009** | **(12,034)** | **(81,288)** | **(8,543)** | **(530)** |
| **Carrying amount at September 30th 2009** | **31,288** | **5,432** | **9,469** | **166** |
| Carrying amount at September 30th 2008 | 34,176 | 13,003 | 13,794 | 165 |

## Notes to the annual report

### 11. Property, plant and equipment

**Parent**

| | Buildings DKK '000 | Plant and ma-chinery DKK '000 | Vessels DKK '000 | Other fixtures etc, DKK '000 | Fixed assets in progress DKK '000 |
|---|---|---|---|---|---|
| Cost at October 1st 2008 | 533,365 | 493,411 | 528,098 | 45,149 | 17,524 |
| Transferred to group companies | 0 | (2,852) | (83,928) | 0 | (6,103) |
| Transferred from assets in progress | 4,149 | 6,085 | 1,453 | 187 | (11,874) |
| Additions for the year | 25,982 | 14,985 | 17,512 | 2,899 | 34,745 |
| Disposals for the year | (21,990) | (9,846) | (24,789) | (4,021) | 0 |
| **Cost at September 30th 2009** | **541,506** | **501,783** | **438,346** | **44,214** | **34,292** |
| Depreciation and impairment losses | | | | | |
| at October 1st 2008 | (368,275) | (388,278) | (258,344) | (30,715) | - |
| Transferred to group companies | 0 | 686 | 63,928 | 0 | - |
| Depreciation for the year | (404) | 0 | 0 | 0 | - |
| Impairment losses for the year | (25,830) | (32,264) | (31,280) | (4,778) | - |
| Depreciation regarding disposals for the year | 10,698 | 7,158 | 20,674 | 1,718 | - |
| **Depreciation and impairment losses at September 30th 2009** | **(383,811)** | **(412,698)** | **(205,022)** | **(33,775)** | **-** |
| **Carrying amount at September 30th 2009** | **157,695** | **89,085** | **233,324** | **10,439** | **34,292** |
| Carrying amount at September 30th 2008 | 165,090 | 105,133 | 269,754 | 14,434 | 17,524 |

No public land assessment is made in Greenland. The carrying amount of properties in Greenland amounts to DKK 157,695k.

In previous years, financing costs have been capitalised at DKK 6,118k, Accumulated depreciation of capitalised financing costs amounts to DKK 6,118k of which DKK 0k is recognised in 2008/09.

## Notes to the annual report

### 11. Property, plant and equipment (continued)

**Group**

| | Buildings DKK '000 | Plant and machine-ry DKK '000 | Vessels DKK '000 | Other fixtures etc, DKK '000 | Fixed assets in progress DKK '000 |
|---|---|---|---|---|---|
| Cost at October 1st 2008 | 863,514 | 1,011,448 | 675,826 | 66,845 | 59,293 |
| Corrections start of year | 0 | (2,852) | (1,280) | 0 | (6,104) |
| Value adjustment at closing price | (21,390) | (26,486) | 0 | (745) | (6,851) |
| Additions for the year | 7,765 | 33,250 | 1,453 | 473 | (42,941) |
| Transferred from assets in progress | 39,855 | 58,642 | 17,511 | 4,899 | 47,128 |
| Disposals for the year | (21,990) | (28,052) | (24,886) | (5,886) | (1,743) |
| **Cost at September 30th 2009** | **867,754** | **1,045,950** | **668,624** | **65,586** | **48,782** |
| Depreciation and impairment losses | | | | | |
| at October 1st 2008 | (461,359) | (640,450) | (315,268) | (44,510) | - |
| Corrections start of year | 0 | 550 | 7,890 | 0 | - |
| Value adjustment at closing price | 636 | 2,780 | 0 | 387 | - |
| Impairment losses for the year | (404) | 0 | 0 | 0 | - |
| Depreciation for the year | (37,511) | (76,653) | (43,132) | (7,577) | - |
| Depreciation regarding disposals for the year | 10,698 | 8,782 | 20,772 | 3,338 | - |
| **Depreciation and impairment losses at September 30th 2009** | **(487,940)** | **(704,991)** | **(329,738)** | **(48,362)** | **-** |
| **Carrying amount at September 30th 2009** | **379,814** | **340,959** | **338,886** | **17,224** | **48,782** |
| Carrying amount at September 30th 2008 | 402,155 | 370,998 | 360,558 | 22,335 | 59,293 |

**Value according to public land assessment**

The public land assessment relating to property in Denmark amounts to DKK 48,420k. The buildings in Denmark have a carrying amount of DKK 62,909k.

No public land assessment is made in Greenland. The carrying amount of properties in Greenland amounts to DKK 157,695k.

Financing costs have been capitalised in previous years amounting to of DKK 6,118k. Accumulated depreciation of capitalised financing costs amounts to DKK 6,118k of which DKK 0k is recognised in 2008/09.

## Notes to the annual report

### 12. Investments in group enterprises and associates

| Parent | | | Group |
|---|---|---|---|
| Group enterprises | Associates | | Associates |
| DKK '000 | DKK '000 | | DKK '000 |
| 602,753 | 38,257 | Cost at October 1st 2008 | 56,741 |
| 24,627 | 0 | Additions for the year | 9,211 |
| (894) | (1,250) | Disposals for the year | (1,250) |
| **626,486** | **37,007** | **Cost at September 30th 2009** | **64,702** |
| 25,114 | 18,288 | Revaluation at October 1st 2008 | 24,172 |
| 0 | 0 | Value adjustment at closing price | (877) |
| 0 | 1,195 | Additions for the year | 5,032 |
| (2,515) | (1,108) | Disposals for the year | (1,108) |
| **22,599** | **18,375** | **Revaluation at September 30th 2009** | **27,219** |
| (89,238) | (1,094) | Impairment losses at October 1st 2008 | (5,244) |
| (32,661) | 0 | Value adjustment at closing price | 0 |
| (149,726) | 0 | Additions for the year | (4,904) |
| 313 | 864 | Disposals for the year | 865 |
| **(271,312)** | **(230)** | **Impairment losses at September 30th 2009** | **(9,283)** |
| (8,427) | - | Intra-group profit at October 1st 2008 | - |
| (12,138) | - | Change during the year | - |
| **(20,565)** | **-** | **Intra-group profit at September 30th 2009** | **-** |
| **357,208** | **55,152** | **Carrying amount at September 30th 2009** | **82,638** |
| 530,202 | 55,451 | Carrying amount at September 30th 2008 | 75,669 |

In the Group, the differential value on acquisition of investments in associates amounts to DKK 18,543k. The carrying amount at September 30th 2009 amounts to DKK 7,274k.

## Notes to the annual report

### 13. Receivables from subsidiaries and associates

| Parent | | | Group |
|---|---|---|---|
| **Subsidiaries** DKK '000 | **Associates** DKK '000 | | **Associates** DKK '000 |
| 0 | 48,659 | Cost at October 1st 2008 | 63,200 |
| 33,323 | 2,652 | Additions for the year | 11,652 |
| 0 | (2,517) | Disposals for the year | (11,820) |
| **33,323** | **48,794** | **Cost at September 30th 2009** | **63,032** |
| 0 | 0 | Impairment losses at October 1st 2008 | (5,238) |
| 0 | 0 | Additions for the year | 0 |
| **0** | **0** | **Impairment losses at September 30th 2009** | **(5,238)** |
| **33,323** | **48,794** | **Carrying amount at September 30th 2009** | **57,794** |
| 0 | 48,659 | Carrying amount at September 30th 2008 | 57,962 |

### 14. Other fixed asset investments

| Parent | | Group |
|---|---|---|
| DKK '000 | | DKK '000 |
| 29,396 | Cost at October 1st 2008 | 36,131 |
| 3,073 | Additions for the year | 13,917 |
| (4,459) | Disposals for the year | (5,272) |
| **28,010** | **Cost at September 30th 2009** | **44,776** |
| (5,407) | Provisions for bad debts at October 1st 2008 | (7,165) |
| (3,460) | Change in provisions for the year | (2,637) |
| **(8,867)** | **Provisions for bad debts at September 30th 2009** | **(9,802)** |
| **19,143** | **Carrying amount at September 30th 2009** | **34,974** |
| 23,989 | Carrying amount at September 30th 2008 | 28,966 |

## Notes to the annual report

### 15. Inventories

| Parent | | | Group | |
|---|---|---|---|---|
| 30.09.2008 DKK '000 | 30.09.2009 DKK '000 | | 30.09.2009 DKK '000 | 30.09.2008 DKK '000 |
| 20,855 | 16,729 | Raw materials | 308,330 | 374,133 |
| 1,190 | 1,742 | Goods in progress | 47,749 | 32,467 |
| 353,409 | 286,545 | Finished goods | 719,496 | 942,154 |
| 60,147 | 54,718 | Other goods | 97,806 | 109,648 |
| **435,601** | **359,734** | | **1,173,381** | **1,458,402** |
| | | Goods at net realisable value included in booked | | |
| **122,381** | **85,821** | value of inventories | **151,800** | **154,114** |

### 16. Other receivables

| | | | | |
|---|---|---|---|---|
| 1,671 | 0 | Tax receivable | 4,256 | 7,288 |
| 137 | 0 | VAT and duty receivable | 16,538 | 21,714 |
| 897 | 0 | Compensation from insurance company | 0 | 897 |
| 10,843 | 1,419 | Other receivables | 16,776 | 22,981 |
| **13,548** | **1,419** | | **37,570** | **52,880** |

### 17, Prepayments

| | | | | |
|---|---|---|---|---|
| 1,958 | 13,187 | Derivative financial instruments at fair value | 14,867 | 2,103 |
| 74 | 0 | Prepaid rent and consumption taxes | 870 | 1,556 |
| 761 | 1,150 | Other prepayments | 5,173 | 3,759 |
| **2,793** | **14,337** | | **20,910** | **7,418** |

### 18. Minority interests

| | | |
|---|---|---|
| Minority interests at October 1st 2008 | 40,780 | 54,413 |
| Subsidiary transferred to associates | 0 | (10,989) |
| Share of profit/loss for the year | 3,667 | 2,242 |
| Dividends | (10,764) | (4,892) |
| Exchange adjustment | (15) | 6 |
| **Minority interests at September 30th 2009** | **33,668** | **40,780** |

## Notes to the annual report

### 19. Deferred tax

| Parent 30.09.2008 DKK '000 | Parent 30.09.2009 DKK '000 | | Group 30.09.2009 DKK '000 | Group 30.09.2008 DKK '000 |
|---|---|---|---|---|
| | | Deferred tax incumbent on the following items: | | |
| 0 | 0 | Property, plant and equipment | 22,969 | 32,953 |
| 0 | 0 | Fixed asset investments | (1,368) | 4,903 |
| 0 | 0 | Other items | (1,403) | (1,116) |
| **0** | **0** | | **20,198** | **36,740** |
| | | Deferred tax assets incumbent on the following items: | | |
| 4,300 | 0 | Loss carried forward | 10,462 | 4,300 |
| 6,100 | 10,400 | Other tax assets | 3,863 | 8,206 |
| **10,400** | **10,400** | | **14,325** | **12,506** |

### 20. Other provisions

| Parent 30.09.2008 | Parent 30.09.2009 | | Group 30.09.2009 | Group 30.09.2008 |
|---|---|---|---|---|
| 11,113 | 10,785 | Other provisions at October 1st 2008 | 32,410 | 32,001 |
| 2,785 | 0 | Additions for the year | 0 | 409 |
| (3,113) | (1,285) | Disposals for the year | (726) | 0 |
| **10,785** | **9,500** | **Other provisions at September 30th 2009** | **31,684** | **32,410** |

Other provisions are public grants to investments, pensions and contractual risks.

### 21. Long-term liabilities other than provisions

| Parent 30.09.2008 | Parent 30.09.2009 | | Group 30.09.2009 | Group 30.09.2008 |
|---|---|---|---|---|
| | | The following amounts fall due for payment after five years or more: | | |
| 0 | 50,000 | Subordinated loan | 50,000 | 0 |
| 1,017,217 | 902,392 | Bank debt | 902,392 | 1,017,347 |
| 0 | 0 | Mortgage debt | 49,134 | 79,950 |
| **1,017,217** | **952,392** | | **1,001,526** | **1,097,297** |

## Notes to the annual report

### 21. Long-term liabilities other than provisions (continued)

**Interest and terms to maturity of long-term liabilities (Group, translated into DKK)**

| | Weighted term (years) | Fixed/ floating | Effective rate of interest 08/09 | Effective rate of interest 07/08 | Nominal value DKKm 08/09 | Nominal value DKKm 07/08 |
|---|---|---|---|---|---|---|
| Subordinated loan | 6 | Fixed | 5.00% | - | 250 | 0 |
| Mortgage debt | 7 | Fixed/ floating | 6.34% | 6.30% | 194 | 223 |
| Private Placements | 6 | Fixed/ floating | 3.93% | 5.80% | 1,773 | 1,768 |
| | | | | | **2,217** | **1,991** |
| Weighted average effective rate of interest | | | **4.26%** | **5.85 %** | | |

The subordinated loan from the Government of Greenland steps down for other creditors. The loan has yearly installments of DKKm 50.First installment is due in September 2011

### 22. Other payables

| Parent 30.09.2008 DKK '000 | Parent 30.09.2009 DKK '000 | | Group 30.09.2009 DKK '000 | Group 30.09.2008 DKK '000 |
|---|---|---|---|---|
| 31,337 | 19,762 | Wages and salaries, personal income taxes, social security costs, etc payable | 35,428 | 51,735 |
| 32,530 | 29,680 | Holiday pay obligation | 39,471 | 42,579 |
| 37,626 | 23,105 | Interest | 24,763 | 39,248 |
| 24,303 | 40,329 | VAT and duties | 63,486 | 36,446 |
| 7,154 | 6,336 | Other costs payable | 35,396 | 53,122 |
| **132,950** | **119,212** | | **198,544** | **223,130** |

### 23. Deferred income

| | | | | |
|---|---|---|---|---|
| 228,237 | 260,883 | Derivative financial instruments at fair value | 262,197 | 229,135 |
| 678 | 5,132 | Other deferred income | 60,525 | 5,976 |
| **228,915** | **266,015** | | **322,722** | **235,111** |

## Notes to the annual report

### 24. Assets charged and contingent liabilities

| Parent 30.09.2008 DKK '000 | Parent 30.09.2009 DKK '000 | | Group 30.09.2009 DKK '000 | Group 30.09.2008 DKK '000 |
|---|---|---|---|---|
| | | **Assets charged** | | |
| 31,956 | 26,701 | Mortgage debt has been secured on property, plant and equipment as well as intangible assets at a carrying amount of | 218,012 | 220,120 |
| | | **Contractual obligations** | | |
| 9,008 | 12,216 | Contracts have been made relating to delivery of fixed assets within two years at a carrying amount of | 23,991 | 32,981 |
| 159,743 | 137,445 | Lease commitments falling due within five years after the balance sheet date amount to | 146,819 | 171,944 |
| 33,112 | 37,287 | Hereof due within one year | 43,218 | 36,636 |
| | | **Forward contracts and options** | | |
| 149,824 | 117,356 | Forward contracts total | 416,290 | 279,287 |
| | | **Recourse and non-recourse guarantee commitments** | | |
| 3,438 | 2,340 | Associates | 2,340 | 3,438 |
| 0 | 8,244 | Third party | 8,965 | 0 |
| 610,694 | 622,759 | Group enterprises | - | - |

**Contingent liabilities**

The Royal Greenland Group has some pending lawsuits, including inquiries from the tax authorities. Management believes that the outcome of these lawsuits and inquiries will not have material impact on the Group's financial position.

## Notes to the annual report

### 25. Financial exposure

**Positions in the most important currencies:**

| | Group | | | |
|---|---|---|---|---|
| | Receivables | Liabilities | Hedged by forward exchange contracts and options | Net position |
| | DKK '000 | DKK '000 | DKK '000 | DKK '000 |
| USD | 142,188 | (44,106) | 35,587 | 133,669 |
| GBP | 23,681 | (2,126) | (61,278) | (39,723) |
| SEK | 15,747 | (7,359) | (29,468) | (21,080) |
| JPY | 31,472 | (342) | (58,917) | (27,787) |
| | **213,088** | **(53,933)** | **(114,076)** | **45,079** |

Foreign exchange contracts solely cover commercial positions.

**Interest rate exposure**

The agreed reassessment and repayment dates of the Group's financial assets and liabilities are specified below according to maturity date. The effective interest rates have been determined based on the current interest level at September 30th 2009.

| | Group<br>Reassessment/maturity date | | | | |
|---|---|---|---|---|---|
| | Within one year | Within two-five years | After five years | Hereof fixed-rate loan | Effective rate of interest |
| | DKK '000 | DKK '000 | DKK '000 | DKK '000 | % |
| Mortgage and credit institutions, loans | (27,751) | (941,112) | (1,001,527) | (1,062,862) | 4.8 - 6.7 |

Cash and cash equivalents amounts to DKK 457,334k, while short-term credits amounts to DKK (107,084)k. Short-term credits have a bearing effective rate of interest from 1.5% to 4.5%.

## Notes to the annual report

### 26. Fees to auditors appointed by the general meeting

| Parent | | | Group | |
|---|---|---|---|---|
| 2007/08 DKK '000 | 2008/09 DKK '000 | | 2007/08 DKK '000 | 2006/07 DKK '000 |
| 1,260 | 1,300 | Audit fee to Deloitte | 3,309 | 3,002 |
| 607 | 1,136 | Non-audit services | 2,295 | 1,995 |
| (4) | 171 | Adjustments concerning previous years | 240 | 28 |
| **1,863** | **2,607** | | **5,844** | **5,025** |

### 27. Related parties

Related parties of the Group are the members of the Supervisory and the Executive Boards as well as the owner, the Government of Greenland.

In the current financial year, the Group has not carried out trade with the Supervisory and Executive Boards. Management remuneration is disclosed in note 3.

## Notes to the annual report

**28. The managerial positions held by members of the Supervisory Board and Executive Board in other Greenlandic and Danish public limited companies except for managerial positions in wholly owned subsidiaries.**

| Supervisory Board | Company | Managerial position |
|---|---|---|
| Sven Lyse | Nordatlantisk Venture A/S | Chief Executive Officer |
| Deputy Chairman | Naqitat A/S | Deputy Chairman |
| | MSE Holding A/S | Member of the Supervisory Board |
| | MSE A/S | Member of the Supervisory Board |
| | MSE Grus A/S | Member of the Supervisory Board |
| | Grønlands Bådcenter A/S | Member of the Supervisory Board |
| | Greenland Mining Services A/S | Member of the Supervisory Board |
| | Godthaab Transportservice A/S | Member of the Supervisory Board |
| | | |
| Arne Pedersen | Homasit A/S | Chief Executive Officer |
| | Petersen og Sørensen Motorværksted A/S | Chairman |
| | Euro Finance and Invest A/S | Chairman |
| | Euroflex Marine-, Offshore and Industrial Services A/S | Chairman |
| | Petersen og Sørensen Reparationsværksted A/S | Chairman |
| | Marstal Værft A/S | Chairman |
| | Dantruck A/S | Chairman |
| | Homasit A/S | Member of the Supervisory Board |
| | Targit A/S | Member of the Supervisory Board |
| | Muehlhan A/S | Member of the Supervisory Board |
| | | |
| Svend Bang Christiansen | Fyrværkerieksperten A/S | Chairman |
| | Proinvent A/S Teknologiudvikling | Chairman |
| | A O B Metal A/S | Chairman |
| | Bach Composite Industry A/S | Chairman |
| | BC Group A/S | Chairman |
| | Videometer A/S | Chairman |
| | Proinvent Group Holding A/S | Chairman |
| | Tigervej 12 A/S | Chairman |
| | Vejle Eksportslagteri A/S | Member of the Supervisory Board |
| | Scancom A/S | Member of the Supervisory Board |

## Notes to the annual report

**28. The managerial positions held by members of the Supervisory Board and Executive Board in other Greenlandic and Danish public limited companies except for managerial positions in wholly owned subsidiaries. (continued)**

| Supervisory Board | Company | Managerial position |
|---|---|---|
| Svend Bang Christiansen | Skare Food A/S | Member of the Supervisory Board |
| | All Times Company A/S | Member of the Supervisory Board |
| Pitsi Høegh | Greenland Sagalands A/S | Chief Executive Officer |

| Executive Board | | |
|---|---|---|
| Flemming Knudsen, CEO | Arctic Umiaq Line A/S | Chairman |
| | Polar Raajat A/S | Deputy Chairman |
| | Ice Trawl Greenland A/S | Member of the Supervisory Board |
| | Upernavik Seafood A/S | Member of the Supervisory Board |
| Pâviâraq Heilmann, COO | Ittu A/S | Chairman |
| | Ice Trawl Greenland A/S | Member of the Supervisory Board |
| | Polar Raajat A/S | Member of the Supervisory Board |
| | Upernavik Seafood A/S | Member of the Supervisory Board |
| | Nukki Trawl A/S | Member of the Supervisory Board |
| | Kuunnaat Trawl A/S | Member of the Supervisory Board |

## Notes to the annual report

| | 2008/09 DKK '000 | 2007/08 DKK '000 |
|---|---|---|
| **29. Adjustments relating to net profit for the year** | | |
| Depreciation, amortisation and impairment losses | 184,961 | 173,942 |
| Minority interests | 3,667 | 2,242 |
| Financial items allocated to profit for the year | 124,457 | 98,040 |
| Income taxes expensed | (17,417) | 26,611 |
| Provisions | 2,696 | (2,654) |
| Profit from associates | (845) | 627 |
| | **297,519** | **298,808** |

| | 2008/09 DKK '000 | 2007/08 DKK '000 |
|---|---|---|
| **30. Working capital changes** | | |
| Change in receivables | 242,812 | 148,841 |
| Change in inventory | 303,078 | (68,845) |
| Change in trade payables and other payables | (51,371) | (47,068) |
| | **494,519** | **32,928** |

| | 2008/09 DKK '000 | 2007/08 DKK '000 |
|---|---|---|
| **31. Cash and cash equivalents, end of year** | | |
| Cash and cash equivalents, end of year | 457,334 | 41,426 |
| Credit institutions, end of year | (107,084) | (403,245) |
| | **350,250** | **(361,819)** |