



Annual report 2016

Sikuki Nuuk Harbour A/S

Reg. nr.:
A/S 541406



SIKUKI
NUUK HARBOUR A/S

First docking at new terminal

Hansa Heavy Lift delivers the harbour cranes to Sikuki. October 2016



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COMPANY DETAILS

Company

Sikuki Nuuk Harbour A/S

P. O. Box 4102

3900 Nuuk

Reg.nr.: A/S 541406

GER-nr.: 12 70 69 52

Registered office: Municipality of Sermersooq

Financial year: 01.01.2016 - 31.12.2016

Board of Directors

Lars Erik Karlsson, Chairman

Haukur Óskarsson, Deputy Chairman

Anna-Berit Koertz

Christine Marianne Fleischer Tønnesen

Lars Borris Pedersen

Executive Management

John Rasmussen, CEO

Auditor

Deloitte Statsautoriseret Revisionspartnerselskab

Imaneq 33, 6.-7. floor

3900 Nuuk

INTRODUCTION

A YEAR OF CHANGE

On July 1, 2016, Sikuki Nuuk Harbour A/S became an operating company. On that day, the company took over responsibility for the existing port in Nuuk, and is now well on the way to meet the company goals: to construct, own, operate and develop the port areas.

The construction of the new container terminal and associated buildings is delayed, and the contractor could not deliver the project according to the construction contract in November 2016 but will hand over during 2017.

The takeover of the existing port facilities in Nuuk and the introduction of user fees has resulted in changes for the port users.

Changes, delays and challenges do not alter the fact that Greenland is well on the way to get a modern port facility, which will have profound impact on the country's infrastructure and development. These are potentials we look forward to developing together with our customers, suppliers, owners and other partners.

The Annual Report has been prepared in Greenlandic, Danish and English. In case of conflict, the Danish version shall take preference.



Lars Karlsson, Chairman of the Board



John Rasmussen, CEO



STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and Executive Management have today discussed and approved the Annual Report for the financial year 01.01.2016 - 31.12.2016 for Sikuki Nuuk Harbour A / S.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Annual Report presents a true and fair view of the Company's assets, liabilities and financial position as per 31.12.2016 and of the results of its operations for the financial year 01.01.2016 to 31.12.2016.

The Annual Report is recommended to the Annual General Meeting for its approval.

Nuuk, 16 March 2017

Management

John Rasmussen, CEO

Board of Directors

Lars Erik Karlsson, Chairman

Haukur Óskarsson, Deputy Chairman

Anna-Berit Koertz

Christine Marianne Fleischer Tønnesen

Lars Borris Pedersen



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sikuki Nuuk Harbour A/S

We have audited the annual report of Sikuki Nuuk Harbour A/S for the financial year 01.01.2016 to 31.12.2016, which comprises the statement by Management on the annual report, the management commentary, accounting policies, income statement, balance sheet, equity statement and notes. The annual report is prepared in accordance with the Greenlandic Financial Statements Act.

Management's responsibility for the Annual Report

Management is responsible for the preparation of an annual report that gives a true and fair view in accordance with the Greenlandic Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of an annual report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance

with International Standards on Auditing and additional requirements under Greenlandic audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' 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 of an annual report that gives a true and fair view 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 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.

Conclusion

In our opinion, the annual report gives a true and fair view of the Company's financial position at 31.12.2016 and of the results of the Company's operations for the financial year 01.01.2016 to 31.12.2016 in accordance with the Greenlandic Financial Statements Act.

Nuuk, 16 March 2017

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No 33963556

Claus Bech
State-Authorized Public Accountant

MANAGEMENT COMMENTARY

Main activity and background:

The objective of Sikuki Nuuk Harbour A/S is to build, own, operate and develop the port areas in Nuuk and activities related thereto.

Nuuk Harbour is Greenland's largest port and plays a key role in freight transport to, from and in Greenland. For some years, the port of Nuuk has however experienced capacity constraints that made it appropriate to expand the port.

In 2013, the Government of Greenland decided to build a new terminal at Admiralitetsøerne. At the same time, it was decided that the terminal would be built and operated in a newly formed limited liability company, and this company should operate and develop all the government's port areas in Nuuk.

Sikuki Nuuk Harbour A/S was established on 23 December 2013 and is the first commercially-operated port in Greenland.

2016, the third financial year for Sikuki Nuuk Harbour A/S, has been characterized by two major tasks: The continued construction of the new terminal at Admiralitetsøerne, and the takeover of operation in the existing port areas in Nuuk. Construction of the new terminal is the most visible change, but the takeover of existing areas is in many ways the change that requires the greatest adaption.

The takeover of operations took place on July 1, and thus the port of Nuuk and Greenlandic ports entered a new phase. From that date, the port areas in Nuuk began commercial operations, and users were required to pay user fees for services that had previously been free.

Sikuki is a commercial port, and user fees, along with the rental of land and selling services, are the company's revenue base. It is the first commercial port in Greenland, and therefore communication and coordination with users about changes was in focus throughout 2016, along with the necessary measures to operate the facilities as the new port authority.

The port expansion is carried out as a turnkey contract by Per Aarsleff Greenland ApS. According to the signed

contract, the port expansion should be delivered in November 2016, but the contractor is delayed and construction will be completed during the summer of 2017. The contractor has made claims for extension of time and additional cost. This is rejected by Sikuki Nuuk Harbour A/S, who claims the contract provisions on penalties for late delivery.

Development of activities and financial affairs

The Company's third financial year shows a loss of DKK 2.9 million before tax and 2.0 million after tax. In 2015, a loss of DKK 2.5 million before tax and 1.6 million after tax was recorded.

The result is as expected, aside from the effect of the new port not opening in November 2016. The Board considers the result as satisfactory.

Structure and activities

In 2016, the company focused on the take-over of the operations in the existing port facilities as well as project management and follow-up on the ongoing construction at Qeqertat (Admiralitetsøerne).

The port facilities that Sikuki has taken over from the Government of Greenland are aging, and maintenance level is varied. Since the takeover of operations, Sikuki has worked on security measures, signage and remediation of the existing areas.

When construction at Admiralitetsøerne is ready, the government-owned containershipping company Royal Arctic Line moves the majority of its operations to the new terminal. In 2016 Sikuki and Royal Arctic Line cooperated on preparing for the move. When Royal Arctic Line moves activities, it will allow the port's other users more space and new opportunities for development and growth. The areas are expected to be the centre of fishing and tourism industries, and there will be areas that can be rented out to other companies in need of space for development.

In the past year, the company's first set of Terms and Regulations was introduced. A Port Management and Monitoring system is implemented, and the organization has hired port assistants. By the end of 2016, the company's organization consist of a CEO, a CFO, one project manager, one project employee and two port assistants.

Capital base

The Government of Greenland has contributed a capital base for Sikuki of a total of DKK 100 million as equity in the form of DKK 70 million in cash and DKK 30 million as non-cash equity in the form of existing port areas.

In addition, in 2015 the Government of Greenland provided a subordinated loan of EUR 110 million. The loan has a term of 26.5 years and is interest-only until the end of 2021.

Finally, in 2015, SIKUKI achieved external financing in the form of loans for EUR 59 million, equivalent to DKK 440 million. The loans have a term of 21.5 years and was interest-only until the end of 2016.

Changes to the Board of Directors and Executive Management

At the annual meeting in April 2016 Lars Borris Pedersen joins the Board of Directors as replacement for John Rasmussen.

In October 2016 Pall Hermannsson resigns as CEO and John Rasmussen takes office.

Board meetings

There has been held 11 meetings in 2016.

Social Responsibility

Sikuki will become an essential hub in the Greenlandic infrastructure, and will play a key role in binding the country together and connecting the country with the outside world.

The company's overall CSR policy is available in full at www.sikuki.gl and presents the Company's values, and provides possible examples of actions to the widest possible extent.

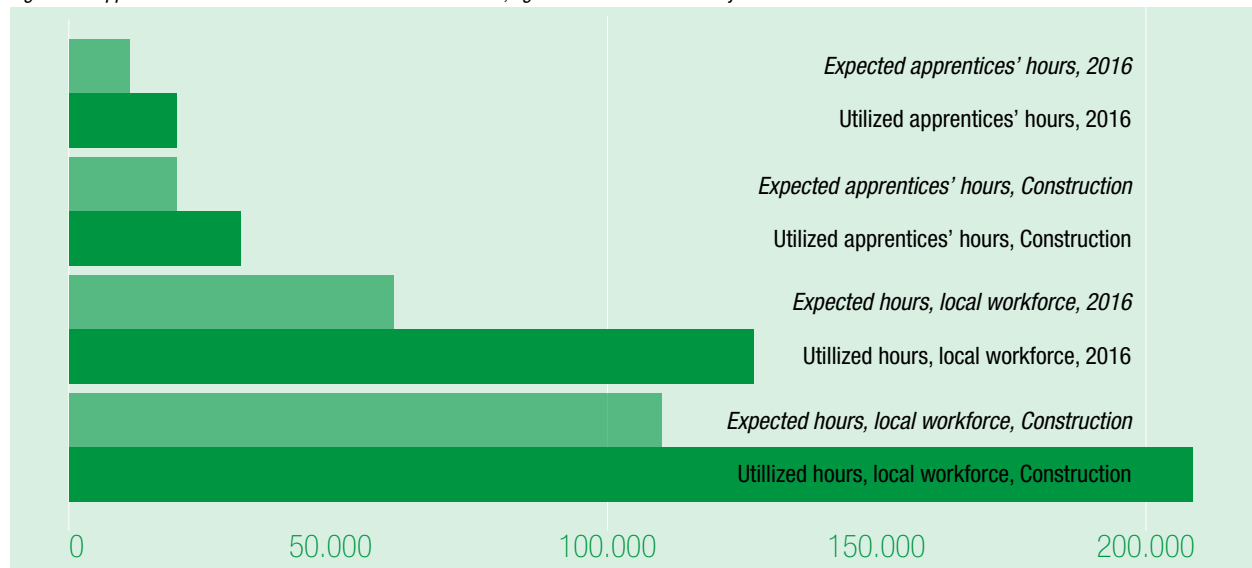
Sikuki Nuuk Harbour has in 2016 joined CSR Greenland. Thus, the port will be part of a larger network with strong ties, and can further contribute to a sustainable society. Both in 2016 and going forward there is a special focus on areas such as occupational health and safety, waste management, use and training of local manpower in operation and construction.

The construction works include a considerable proportion of local labour, which includes both skilled and unskilled labour, as well as trainees and apprentices.

The contractor was contractually committed to take apprentices and to utilize local labour force. It was expected to use around 20,000 apprentices' hours during construction. So far (at 31.12.2016) 31,906 hours has been used. It was expected to utilize 110,000 hours of local workforce, and to date (31.12.2016) 208,000 hours has been put in to the construction. The impact on the local workforce has thus been significantly higher than expected.

In 2016, 127,000 local working hours and 20,000 apprentices' hours was utilized. Overall, this equates to well over 70 full-time jobs in one year.

Figure 1 – apprentices' hours and utilization of local workforce, og anvendelse af lokal arbejdskraft



Occupational health and safety are essential areas of focus for Sikuki. It is essential to secure a strong safety culture, and although our obligations are transferred to the contractor, Sikuki still has an important responsibility in this cooperation. Focus on occupational safety has meant that 2016 has not seen serious accidents. The target for Lost Time Injuries and minor accidents will always be zero. Although this goal has not been reached (see figure) the number, compared to the total consumption of hours, reflects a focused effort.

Lost Time Injuries (LTI)	11
Accidents without lost time	10
Near misses	22

Figure 2 – number of occupational health and safety incidents for 01.01.2016 - 31.12.2016

Expected developments

Sikuki shall be run on partially commercial terms. The company's income consists of rental of land, buildings and cranes and user fees for ships and goods.

The port expansion is delayed and expected to be completed and commissioned in the summer of 2017. On this basis, and the approval of Sikuki's altered Terms and Regulations, Sikuki expect that 2017, in line with the company's business plan, will be the company's first financial year with a positive result. Taking into consideration the size and scope of the company a reasonable accounting profit is expected.

Events after the balance sheet date

From the balance sheet date and until today, no events have occurred which affect the assessment of the Annual Report.



The project

When construction finishes, Nuuk will have

- A functional port, supporting logistics that will cover Greenland's need for container capacity for years to come
- A port and associated buildings that can continuously be developed and expanded if the need arises
- Opportunity and space to develop the old port within the areas of tourism, fishing and other port-related industries

Existing areas	Quay length [m]	Depth [m]
Sandlosningskaj	30	5
Ny Atlantkaj	102	10
Kystpassagerkaj	40	6,5
Skonnertkaj	52	3,9-4,5
Gl. Atlantkaj	170	4,6-7,0
Fiskerikaj	95	4,0-6,6
Trawlerkaj	30	3,9-4,4
Kutterkaj	40	2,0-3,7
Montagekaj	25	5
New Containerterminal Nuuk		
Quay 101-102	310	10,5
Quay 103	50	5,5

Depths at LAT (Lowest Astronomical Tide) in accordance with Sea Chart 1351/Oct 2010 published by Kort & Matrikelstyrelsen (Now: Geodatastyrelsen).



2016 has seen a number of milestones for Sikuki

Topping-out ceremony
for buildings

First docking -
delivery of cranes

April

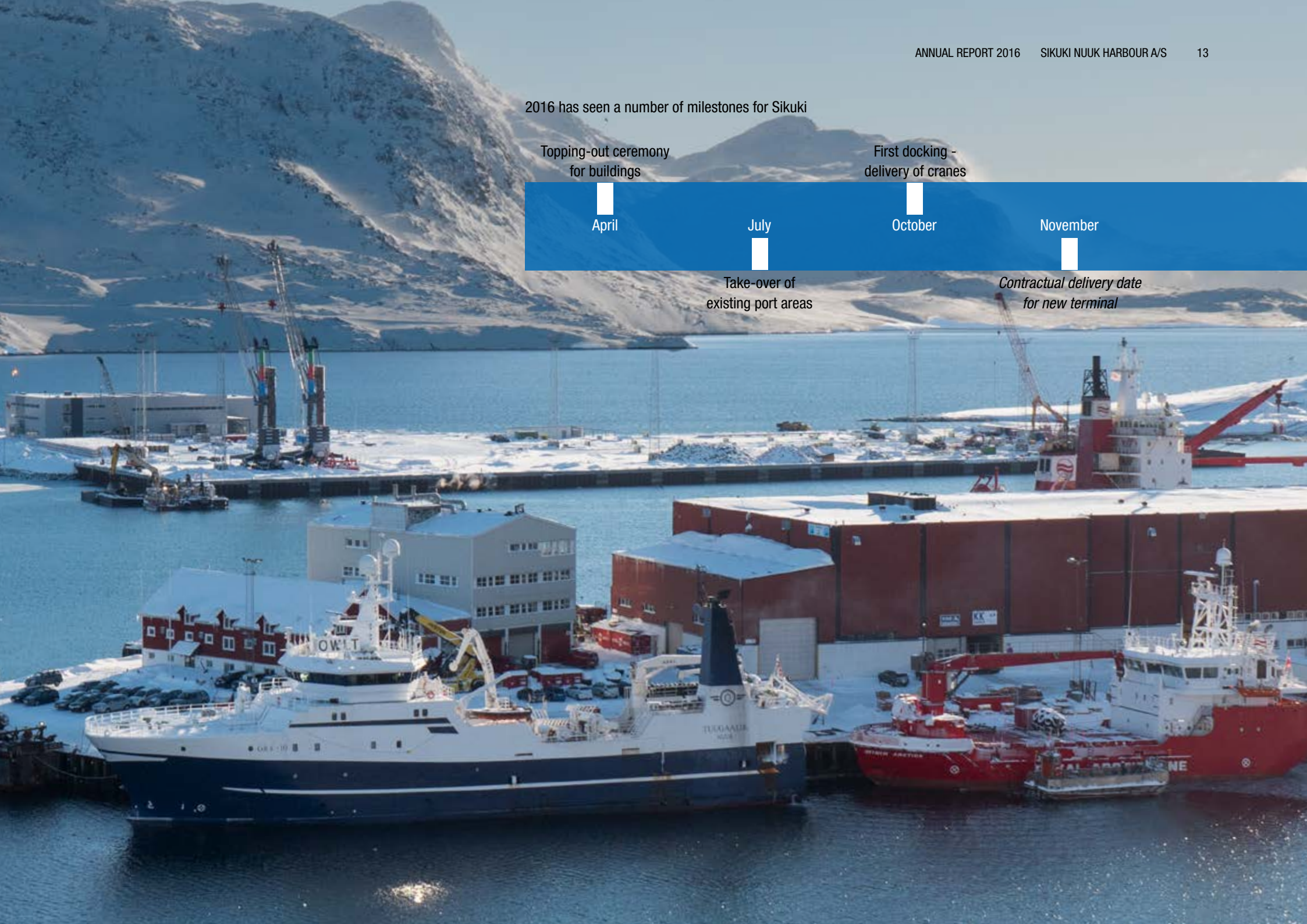
July

October

November

Take-over of
existing port areas

*Contractual delivery date
for new terminal*



ACCOUNTING POLICIES

Accounts class

The Annual Report has been prepared in accordance with the provisions applying to reporting class B with the option of individual provisions for reporting class C.

The Annual Report has been prepared using the same accounting policies as last year.

Recognition and measurement

Assets are recognized in the balance sheet when, as a result of a past event, it is probable that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when, as a result of a past event, a legal or actual obligation has arisen and it is probable that future economic benefits will flow out of the company, and the value of the liability can be measured reliably.

On initial recognition assets and liabilities are valued at cost. Valuation after initial recognition is carried out as described for each item below.

Recognition and measurement take into account predictable losses and risks that arise before the Annual Report is presented and that confirm or invalidate circumstances existing on the reporting date.

Income is recognized in the income statement as it is earned, whereas costs are recognized by the amounts attributable to the financial year.

Transactions in foreign currencies are initially recognized at the transaction date. Receivables and payables and other monetary items in foreign currencies are converted at the closing exchange rate of the balance sheet date. Realized and unrealized foreign exchange differences between the rate of the transaction date, the rate at the date of payment or the rate on the balance sheet date are recognized in the income statement under financial income and expenses.

Income Statement

Net revenue

Revenues from services, which include user fees for ships and goods, storage of goods, land rent, etc., are recognized linearly as the services are rendered.

Revenues from sale of goods, etc. are recognized in the income statement when delivery and transfer of risk to the buyer has taken place and if the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, fees collected on behalf of third parties excluded.

Other external costs

Other external costs include costs relating to the company's core activities, including the cost of premises, office costs, promotional costs, etc. This item also includes impairment losses on receivables recognized in current assets.

Employment costs

Employment costs include wages and salaries as well as social security costs, pensions and similar for the Company's employees.

Depreciation and impairment loss

Depreciation and impairment loss on tangible assets consists of depreciation and impairment loss carried out in the financial year based on the fixed residual values and useful lives respectively of the individual assets and impairment testing carried out, and gains and losses on the sale of tangible assets.

Financial income

Financial income consists of interest income and exchange rate changes.

Financial costs

Financial expenses consist of interest expenses and exchange rate changes.

Tax

Tax for the year, which is comprised of current tax for the year and changes in deferred tax, is recognized in the income statement with the portion attributable to the profit for the year that can be attributed, and directly in equity with the portion that can be attributed to items directly in equity.

Balance Sheet

Tangible assets

Port facilities and other fixtures and fittings, tools and equipment is valued at cost with accumulated depreciation and impairment losses deducted. Cost is comprised of the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when the asset is ready to be commissioned.

The basis for depreciation is cost with estimated residual value after the end of useful life deducted. Straight-line depreciation is based on the following assessment of the assets' estimated useful lives:

	Useful life	Residual value
Port facilities	50 year	0%
Other fixtures and fittings, tools and equipment	2-5 years	0%

Tangible fixed assets under construction consists of costs related to the establishment of new terminal.

Indirect costs in terms of indirectly attributable costs that are used in connection with the acquisition, are included in the cost, based on an estimate of the consumption incurred by the acquisition.

Interest expenses and foreign currency translation of loans to finance the acquisition of tangible fixed assets are included in the cost if they relate to the period. All other financing costs are recognized in the income statement.

Tangible assets are depreciated to the recoverable amount if this is lower than the carrying value.

Receivables

Receivables are valued at amortized cost, which usually corresponds to nominal value with provisions for bad debts deducted.

Deferred tax

Deferred tax is measured using the balance sheet liability method on temporary differences between the accounting carrying amount and tax base of assets and liabilities, where the tax value of the assets is calculated based on the basis of the planned use of each asset or settlement of the liability.

Deferred tax assets including the tax value of tax loss carryforwards are recognized in the balance sheet at the

value at which the asset is expected to be realized, either by elimination in tax on future earnings or against deferred tax liabilities. Any deferred net tax assets are measured at net realizable value.

Cash and cash equivalents

Cash and cash equivalents consists of cash and bank balances.

Liabilities

Financial liabilities are recognized initially at the net proceeds after deduction of transaction costs. In subsequent periods, financial liabilities are measured at amortized cost.

The long-term debt is measured at amortized cost, which corresponds to an outstanding debt calculated as the loan's underlying cash value at time of loan, regulated with an amortization over the loan period of loan value adjustment at the time of the loan.

Other liabilities, which comprise trade payables and other payables are measured at amortized cost, which usually corresponds to nominal value.



Construction of the new terminal in the foreground, and the cruise ship Chrystal Serenity in the background.

The ship came to Nuuk in September 2016 after passing through the North West passage from Alaska to Baffin Bay.

When the container operations move to the new terminal, the existing facilities will better be able to accommodate larger cruise ships.

INCOME STATEMENT

for 2016

Income statement		2016	2015
	DKK		
note			
	Revenue	4.368.161	0
	Other external costs	-3.906.217	-762.995
	Gross margin	461.944	-762.995
1	Staff costs	-3.029.207	-1.731.575
2	Depreciation and impairment losses	-383.471	-30.437
	Operating profit/loss	-2.950.734	-2.525.007
	Financial income	0	13.778
	Financial expense	0	-25
	Profit/loss before tax	-2.950.734	-2.511.254
3	Tax on profit/loss for the year	938.333	877.050
	Profit/loss for the year	-2.012.401	-1.634.204
	Proposed distribution of profit/loss		
	Retained earnings	-2.012.401	
		-2.012.401	

BALANCE SHEET

at 31.12.2016

Assets as per 31.12.2016	2016	2015
DKK		
note		
Port areas	29.812.955	30.095.000
Other fixtures and fittings, tools and equipment	1.206.134	405.067
Tangible assets under construction	561.577.983	234.269.848
4 Property, plant and equipment	592.597.072	264.769.915
Fixed assets	592.597.072	264.769.915
Trade receivables	3.724.101	0
Deferred tax	2.234.822	1.296.489
Other receivables	193.001	145.877
Receivables	6.151.924	1.442.366
5 Cash	83.267.603	421.077.437
Current assets	89.419.527	422.519.803
Assets	682.016.599	687.289.718

BALANCE SHEET

at 31.12.2016

Liabilities as per 31.12.2016		2016	2015
DKK			
note			
	Share capital	100.000.000	100.000.000
	Retained earnings	-4.892.626	-2.880.225
	Equity	95.107.374	97.119.775
	Subordinated loan capital	116.971.743	113.484.397
	2,59 % Senior Secured notes	426.826.767	433.573.530
6	Long-term liabilities	543.798.510	547.057.927
	Current portion of long-term liabilities	16.516.643	0
	Trade payables	24.824.837	42.154.370
	Other liabilities	1.769.235	957.646
	Short-term liabilities	43.110.715	43.112.016
	Liabilities	586.909.225	590.169.943
	Equity and liabilities	682.016.599	687.289.718

7 Contingent liability

8 Ownership

EQUITY STATEMENT

at 31.12.2016

DKK

	Share capital	Retained earnings	Total
Equity at 01.01.2016	100.000.000	-2.880.225	97.119.775
Profit/loss for the year	0	-2.012.401	-2.012.401
Equity at 31.12.2016	100.000.000	-4.892.626	95.107.374

NOTES

DKK

1 Staff costs	2016	2015
Salaries and wages	5.760.939	4.545.747
Pension contributions	157.536	179.266
Other social security expenses	54.694	36.486
Other employment costs	84.406	62.178
Staff costs transferred to assets	-3.028.368	-3.092.102
	3.029.207	1.731.575
<hr/>		
Number of employees on the reporting date	6	4
<hr/>		
Average number of employees	6	4

The CEO employment contract contains no bonus agreement or any special allowances.
The Board believes that the CEO's remuneration and other conditions of employment are in line with the market.

DKK

2 Depreciation and impairment losses		
Depreciation on fixed assets	525.340	152.183
Depreciations transferred to assets	-141.869	-121.746
	383.471	30.437

DKK

3	Tax on profit/loss for the year	2016	2015
	Change in deferred tax	-938.333	-798.579
	Adjustment of deferred tax for previous years	0	-78.471
		-938.333	-877.050

DKK

4	Fixed assets	Port areas	Other fixtures and fittings, tools and equipment	Fixed assets under construction
	Cost at 01.01.2016	30.095.000	584.994	234.269.848
	Additions	29.090	1.177.272	327.308.135
	Disposals	0	-325.322	0
	Cost at 31.12.2016	30.124.090	1.436.944	561.577.983
	Depreciation and impairment losses at 01.01.2016	0	-179.927	0
	Depreciation for the year	-311.135	-241.038	0
	Reversals relating to disposals	0	190.155	0
	Depreciation and impairment losses at 31.12.2016	-311.135	-230.810	0
	Carrying amount at 31.12.2016	29.812.955	1.206.134	561.577.983

5 Cash

The Company's cash total DKK 30,549,000 held in an escrow account and released in line with completion of the construction work.

DKK**Restgæld efter 5 år****Restgæld efter 5 år**

6 Long-term liabilities	2016	2015
Subordinated loan capital	116.971.743	113.484.397
2,59 % Senior Secured notes	355.583.743	365.978.457
	472.555.486	479.462.854

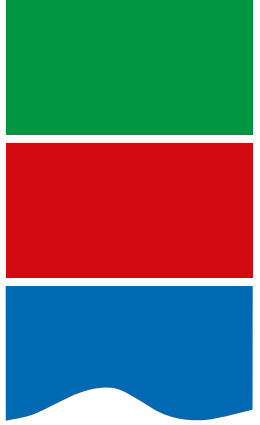
7 Contingent liability

The expansion is carried out as a turnkey contract by Per Aarsleff Greenland ApS. The contractor has made claims for extension of time and additional cost. This is rejected by Sikuki Nuuk Harbour A/S, who claims the contract provisions on penalties for late delivery.

8 Ownership

The Company has registered the following shareholders with 100% of the share capital's voting rights or nominal value:

The Government of Greenland, Nuuk



SIKUKI
NUUK HARBOUR A/S

The gateway to Greenland

