XO Shipping A/S

Tuborg Havnevej 18, st., DK-2900 Hellerup

Annual Report for 1 January - 31 December 2021

CVR No 33 08 02 12

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 29/3 2022

Kent Hedegaard
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of XO Shipping A/S for the financial year 1 January - 31 December 2021.

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

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and cash flows for 2021.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hellerup, 29 March 2022

Executive Board

Kim Holberg Pihl

Board of Directors

Kent Hedegaard Chairman	Christian Philip Levin	Erik Svanberg

Independent Auditor's Report

To the Shareholders of XO Shipping A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of XO Shipping A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ("the Financial Statements").

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

Independent Auditor's Report

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 29 March 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Martin Lunden State Authorised Public Accountant mne32209	Martin Birch State Authorised Public Accountant mne42825

Company Information

The Company	XO Shipping A/S Tuborg Havnevej 18, st. DK-2900 Hellerup CVR No: 33 08 02 12 Financial period: 1 January - 31 December Incorporated: 19 August 2010 Financial year: 11st financial year Municipality of reg. office: Gentofte
Board of Directors	Kent Hedegaard, Chairman Christian Philip Levin Erik Svanberg
Executive Board	Kim Holberg Pihl
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup
Bankers	Jyske Bank Vesterbrogade 9 1780 København V.

Financial Highlights

Seen over a five-year period, the development of the Group is described by the following financial highlights:

	Group				
	2021	2020	2019	2018	2017
	kUSD	kUSD	kUSD	kUSD	kUSD
Key figures					
Profit/loss					
Revenue	793,647	232,311	199,315	170,971	116,629
Operating profit/loss	48,903	9,355	5,880	446	4,357
Profit/loss before financial income and expenses	49,313	9,503	6,028	712	4,940
Net financials	2,793	129	-285	-354	-261
Net profit/loss for the year	46,037	7,104	4,610	144	4,236
Dividend	12,500	2,000	0	0	1,301
Balance sheet					
Balance sheet total	125,844	33,640	30,992	13,540	24,422
Equity	56,641	15,104	4,841	231	1,387
Equity and subordinate loan capital	56,641	15,104	10,341	5,731	8,798
Cash flows					
Cash flows from:					
- operating activities	27,710	11,332	6,781	-1,739	7,855
- investing activities	-221	22	-33	0	3
including investment in property, plant and equipment	-266	22	-33	0	3
- financing activities	-4,500	-2,341	-10	-4,052	-1,346
Change in cash and cash equivalents for the year	22,990	9,014	6,738	-5,791	6,512
Number of employees	25	20	19	17	16
Ratios					
Gross margin	9.1%	7.0%	4.4%	1.9%	6.5%
Profit margin	6.2%	4.1%	3.0%	0.4%	4.2%
Return on assets	39.2%	28.2%	19.5%	5.3%	20.2%
Solvency ratio	45.0%	44.9%	15.6%	1.7%	5.7%
Solvency ratio inclusive subordinate loan capital	45.0%	45.0%	33.4%	42.3%	36.0%

For definitions, see under accounting policies.

Management's Review

Key activities

The Group's purpose is to operate within the dry bulk shipping market.

Development during the year

The result for 2021 is considered extraordinary and so exceeds expectations. The income statement for 2021 shows a profit of 46,037 kUSD after tax and bonuses which in fact is the best result ever realized since the Group was founded in 2010.

The balance sheet as at 31 December 2021, shows an equity of 56,641 kUSD and a strong solvency of 45%.

The reason for the extraordinary result is that we have succeeded in executing the goals we set for 2021.

We have continued to be able to attract some of the industry's most skilled and committed employees, meaning that in 2022 we will have more than 30 employees at our office in Hellerup.

We are in a traditionally male dominated profession, and we are working hard to get a balanced distribution of women and men. This meant that in 2021 women made up approx. 30% of our employees, and we are still working to increase that distribution.

In a highly competitive environment, we have created a strong foundation for continued growth on the top and bottom line.

The bonus program introduced in 2020 has helped to ensure attractive earnings for our employees in 2021, regardless of ownership, as the bonus program constitutes a significant share of the profit for the year. In our opinion, this has meant that our employees and partners have achieved the industry's most attractive remuneration package via our bonus program as a modern form of profit sharing.

We have maintained our focus on our core business - being a dry cargo operator - and have not, in a growing market, let ourselves be fascinated by investing in owning vessels or long time-charter contracts.

We focus on a tight management of our cash flow, and therefore we also have a proven dividend policy, so we ensure a comfortable liquidity contingency, which enables us to handle large fluctuations in freight rates and working capital.

Management's Review

Expectations for 2022

Since the end of the year 2021, work has been underway to establish a subsidiary in Dubai, including fulfilling all formalities, organizing the right team composition etc., and we plan to open our office in mid-April 2022.

The subsidiary in Dubai will function as an operating company like XO Shipping A/S in Denmark, and two of our skilled employees will start by building the organization, expanding customer contacts etc. It is our expectation that the subsidiary in Dubai will employ 10-15 employees within a short number of years. From the beginning, the subsidiary has been established with a sufficient capital base that will secure us a market share in that part of the world.

To support our competence base and our internationalization, at the end of 2021 we have strengthened the organization with newly created positions, including a Head of Legal and a CFO.

Almost 3 months into the new financial year, it is our opinion that we will also realize an attractive result in 2022, albeit at a lower level than 2021.

Special risks - operating risks and financial risks

Market risks

Revenues from the shipping operations are linked to global market trends, which through demand fluctuations affect freight rates as well as prices of tonnage and fuel. Management continuously assesses the extent to which it is relevant to take measures against these market fluctuations.

Foreign exchange risks

The foreign exchange risks is limited as most of the income and expenses from shipping activities is in USD.

Financial instruments

The Group uses derivative financial instruments to hedge its bunker price risks and freight risk.

Bunker hedge is used to hedge future bunker expenses and redelivery commitment related to time-chartered vessels.

Forward Freight Agreement (FFA) is used to hedge cash flow risk from freight prices to the extent Management finds it attractive. FFA can also be used as part of the Group´s expose towards freight rates.

The credit risk related to these instruments is deemed to be small, since cleared through margin account with major credit institutions.

Management's Review

Statement in compliance with section 99(a) of the Danish Financial Statements Act

The Group is under the Danish financial statements act required to report on Corporate Social Responsibility (CSR). The values and the approach to do business has always been based on responsibility and accountability, and the Group is compliant with all legal requirements within the areas of climate change, environment, human rights, employee conditions and anti-corruption.

Strategy and objectives

Business model

The main activities within the Group contains shipping and includes Bulk operating up to 75 short-term chartered vessels from external suppliers. This operation is carried out from the offices in Copenhagen and Geneva by 30 staff in total.

Contracting with suppliers of vessels follows the standard contractual terms provided by the international shipping organization BIMCO. To the extend it has been incorporated into the standard terms, this includes clauses on CSR. The Group select suppliers based on experience and informal expectations and requirements related to energy efficiency and legal compliance. All chartered vessels undergo inspection from relevant authorities, hereunder also the International Transport Worker's Federation, ITF.

The Group acknowledges the importance of being alert to challenges within climate change, environment, human rights, employee conditions and anti-corruption, but being a relatively small organization, The Group do not see the need of formalizing its management approach into written policies and procedures. The management approach is very agile and allows for all within the organization to address top management directly with questions and when in need of approval.

Management's Review

Assessment of risks

Climate change and the environment

It is the ambition to continuously improve energy efficiency with all vessels. Consequently, The Group is always inquiring about energy efficiency when engaging a supplier including contractual terms ensuring the supplier vessel is compliant with low-sulfur bunker regulation. In 2021, we have included contractual terms about low-sulfur bunker regulation compliance in all new contracts, and we will continue this in the future.

However, as the fuel consumption is the only material impact, we may influence, and since the number of transactions are limited, the Group do not see risks material enough to require a formalized policy. We will continuously evaluate the need for a more formalized policy.

Human rights

The Group respects and recognizes human rights, the rights of the child and all International Labor Organization (ILO) charters. With its current business model we don't employ crew on the vessels. When selecting a supplier, it is contractually ensured that the responsibility of work and employment conditions belong to the supplier and that the ITF are granted access to check and review compliance in accordance with international agreements. In 2021, we have included contractual terms about responsibility of work and employment contracts in all new contracts, and we will continue this in the future.
Consequently, we do not see risks leading to a need for a formalized policy on human rights. We will continuously evaluate the need for a more formalized policy.

Anti-corruption

The Group has a zero tolerance towards corruption and bribery practices.
Contracts with both customers and suppliers follow the standards provided by BIMCO. Port costs forwarded by chartered vessels that are to be paid by XO Shipping A/S undergo quality assurance and approval from an external service provider, which know all official rates in ports. Further, all costs related to voyages are approved directly by management applying a four eye principle, so the risks related to corruption and bribery are considered very low. In 2021, we have followed the anti-corruption procedures described above and we will continue to do so in the future.

Management's Review

Policies on CSR

Referencing the above assessment and evaluation of risks related to CSR, the Group has decided not to author formalized policies for impacts related to climate change, environmental issues, human rights and anti-corruption. Our work within these areas is described in the sections above. We will continuously evaluate the need for more formalized policies.

Policy regarding employees

It is the policy to enable XO Shipping A/S to attract, retain and evolve the best possible employees, meaning employees that are highly qualified and motivated to successfully manage present and future assignments.

Activities and results

XO Shipping A/S believe that personal development is key to the success and well-being of the company's employees.

In 2021, annual meetings have been held with all employees where the performance of the individual was assessed and evaluated and where targets for 2021 were decided in agreement with the employee. In 2022 we will continue with annual meetings to assess and evaluate the performance of the individual employees.

XO Shipping A/S has ensured paid health insurance for all employees and has in 2021 continued its offer for employees to be able to work from home, in the light of COVID-19 and to provide grounds for a healthy work life balance.

Research and development

The Group is not involved in research and development activities.

Management's Review

Intellectual capital resources

Through retention and recruitment of new competences, as well as through cooperation, alliances and education, the intellectual capital resources which are major parameters in the development and perfection of new services increase.

The Group has defined goals, positions and strategies that systematically strengthen the value creation and form the basis of the Group's innovative skills, just as it is important to the future success of the Group to attract and retain well-educated employees who identify with the stated core values. Therefore, investments are made to continuously improve the qualifications of the staff.

Annual performance reviews are held with all employees where goals, plans and career opportunities are discussed and planned.

Statement in compliance with section 99(b) of the Danish Financial Statements Act

There are no women in the current board because no women have been nominated and elected to the board.

The goal is by 2027 that the company will meet the target of a gender distribution of 33% in the board.

Policy to increase gender diversity on other management levels:
The Group employs less than 50 employees and therefore there is no requirement to develop a policy for the underrepresented gender.

Data ethics

The Group has evaluated if it is relevant to prepare a policy for data ethics. The Group only enter into business with B2B customers and therefore, to a limited extend, collects and processes data. The Group has not prepared a data ethics policy, but all information we receive related to customers, vendors and employees are treated in a responsible manner that secure that the data cannot be accessed by unauthorised persons.

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2021 USD	Group 2020 USD	Parent Company 2021 USD	Parent Company 2020 USD
Revenue	1	**793,647,177**	**232,310,620**	**758,540,209**	**211,279,918**
Other operating income		410,425	148,930	685,425	358,483
Vessel operating costs		-720,056,227	-214,863,887	-686,428,822	-196,757,269
Other external expenses		-1,496,943	-1,269,976	-1,478,357	-1,244,337
Gross profit/loss		**72,504,432**	**16,325,687**	**71,318,455**	**13,636,795**
Staff expenses	2	-23,191,228	-6,819,777	-22,860,264	-6,027,985
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	0	-2,437	0	-2,437
Profit/loss before financial income and expenses		**49,313,204**	**9,503,473**	**48,458,191**	**7,606,373**
Results from investments in subsidiaries		0	0	982,282	1,451,263
Financial income	4	3,010,698	344,561	3,008,526	247,599
Financial expenses	5	-218,074	-215,751	-149,680	-215,701
Profit/loss before tax		**52,105,828**	**9,632,283**	**52,299,319**	**9,089,534**
Tax on profit/loss for the year	6	-6,068,978	-2,528,187	-6,262,469	-1,985,438
Net profit/loss for the year		**46,036,850**	**7,104,096**	**46,036,850**	**7,104,096**

Balance Sheet 31 December

Assets

		Group		Parent Company	
	Note	2021	2020	2021	2020
		USD	USD	USD	USD
Other fixtures and fittings, tools and equipment		265,782	0	265,782	0
Property, plant and equipment	7	**265,782**	**0**	**265,782**	**0**
Investments in subsidiaries	8	0	0	2,540,646	1,558,364
Investments in associates	9	0	49,488	0	0
Fixed asset investments		**0**	**49,488**	**2,540,646**	**1,558,364**
Fixed assets		**265,782**	**49,488**	**2,806,428**	**1,558,364**
Inventories		**19,239,872**	**4,944,000**	**18,870,613**	**4,944,000**
Trade receivables		38,167,052	5,600,662	36,891,031	5,350,597
Receivables from group enterprises		0	0	1,347,054	193,196
Other receivables		7,340,977	566,834	7,340,843	566,518
Corporation tax		1,494,611	0	1,494,611	0
Prepayments	10	17,464,110	3,597,253	17,447,060	3,597,080
Receivables		**64,466,750**	**9,764,749**	**64,520,599**	**9,707,391**
Cash at bank and in hand		**41,871,270**	**18,881,769**	**38,318,789**	**15,937,412**
Currents assets		**125,577,892**	**33,590,518**	**121,710,001**	**30,588,803**
Assets		**125,843,674**	**33,640,006**	**124,516,429**	**32,147,167**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2021	2020	2021	2020
		USD	USD	USD	USD
Share capital	11	8,000,000	8,000,000	8,000,000	8,000,000
Reserve for net revaluation under the equity method		0	0	2,439,609	1,457,327
Retained earnings		38,640,946	5,104,096	36,201,337	3,646,769
Proposed dividend for the year		10,000,000	2,000,000	10,000,000	2,000,000
Equity		**56,640,946**	**15,104,096**	**56,640,946**	**15,104,096**
Trade payables		32,481,651	8,313,565	31,328,672	8,252,076
Corporation tax		52,559	1,922,477	0	1,380,477
Other payables		26,371,268	4,903,653	26,321,539	4,056,184
Deferred income	13	10,297,250	3,396,215	10,225,272	3,354,334
Short-term debt		**69,202,728**	**18,535,910**	**67,875,483**	**17,043,071**
Debt		**69,202,728**	**18,535,910**	**67,875,483**	**17,043,071**
Liabilities and equity		**125,843,674**	**33,640,006**	**124,516,429**	**32,147,167**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
	USD	USD	USD	USD	USD
Equity at 1 January	8,000,000	0	5,104,096	2,000,000	15,104,096
Ordinary dividend paid	0	0	0	-2,000,000	-2,000,000
Extraordinary dividend paid	0	0	-2,500,000	0	-2,500,000
Net profit/loss for the year	0	0	36,036,850	10,000,000	46,036,850
Equity at 31 December	**8,000,000**	**0**	**38,640,946**	**10,000,000**	**56,640,946**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January	8,000,000	1,457,327	3,646,769	2,000,000	15,104,096
Ordinary dividend paid	0	0	0	-2,000,000	-2,000,000
Extraordinary dividend paid	0	0	-2,500,000	0	-2,500,000
Net profit/loss for the year	0	982,282	35,054,568	10,000,000	46,036,850
Equity at 31 December	**8,000,000**	**2,439,609**	**36,201,337**	**10,000,000**	**56,640,946**

Cash Flow Statement 1 January - 31 December

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		USD	USD	USD	USD
Net profit/loss for the year		46,036,850	7,104,096	46,036,850	7,104,096
Adjustments	14	3,280,841	2,389,499	2,421,341	492,399
Change in working capital	15	-14,966,526	2,541,278	-15,032,319	1,696,727
Cash flows from operating activities before financial income and expenses		**34,351,165**	**12,034,873**	**33,425,872**	**9,293,222**
Financial income		3,006,211	344,562	3,008,526	247,599
Financial expenses		-213,587	-215,750	-149,682	-215,701
Cash flows from ordinary activities		**37,143,789**	**12,163,685**	**36,284,716**	**9,325,120**
Corporation tax paid		-9,433,507	-831,288	-9,137,557	-830,539
Cash flows from operating activities		**27,710,282**	**11,332,397**	**27,147,159**	**8,494,581**
Purchase/sale of property, plant and equipment		-265,782	22,315	-265,782	22,315
Fixed asset investments		45,001	0	0	0
Cash flows from investing activities		**-220,781**	**22,315**	**-265,782**	**22,315**
Repaid subordinate loan capital		0	-5,500,000	0	-5,500,000
Cash capital increase		0	3,158,970	0	3,158,970
Dividend paid		-4,500,000	0	-4,500,000	0
Cash flows from financing activities		**-4,500,000**	**-2,341,030**	**-4,500,000**	**-2,341,030**

Pengestrømsopgørelse 1. januar - 31. december

	Note	2021	2020	2021	2020
		USD	USD	USD	USD
Change in cash and cash equivalents		**22,989,501**	**9,013,682**	**22,381,377**	**6,175,866**
Cash and cash equivalents at 1 January		18,881,769	9,868,087	15,937,412	9,761,546
Cash and cash equivalents at 31 December		**41,871,270**	**18,881,769**	**38,318,789**	**15,937,412**
Cash and cash equivalents are specified as follows:					
Cash at bank and in hand		41,871,270	18,881,769	38,318,789	15,937,412
Cash and cash equivalents at 31 December		**41,871,270**	**18,881,769**	**38,318,789**	**15,937,412**

Notes to the Financial Statements

		Group		Parent Company	
		2021	2020	2021	2020
		USD	USD	USD	USD
1	**Revenue**				
	Geographical segments				
	Globally	793,647,177	232,310,620	758,540,209	211,279,918
		793,647,177	**232,310,620**	**758,540,209**	**211,279,918**
2	**Staff expenses**				
	Wages and salaries	22,841,906	6,649,457	22,510,942	5,857,665
	Pensions	56,879	43,457	56,879	43,457
	Other social security expenses	26,054	19,852	26,054	19,852
	Other staff expenses	266,389	107,011	266,389	107,011
		23,191,228	**6,819,777**	**22,860,264**	**6,027,985**
	Including remuneration to the Executive Board and Board of Directors of:				
	Executive Board	506,663	513,534	506,663	513,534
	Board of Directors	15,304	15,000	15,304	15,000
		521,967	**528,534**	**521,967**	**528,534**
	Average number of employees	**25**	**20**	**25**	**20**

Salary to the Executive Board includes salary to 2 members of the Executive Board during the financial year. Remuneration constitutes the part that can be attributed to the position in the Executive Board.

3	**Depreciation, amortisation and impairment of intangible assets and property, plant and equipment**				
	Depreciation of property, plant and equipment	0	2,437	0	2,437
		0	**2,437**	**0**	**2,437**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
4 Financial income				
Other financial income	3,010,698	252,466	3,008,526	247,599
Exchange gains	0	92,095	0	0
	3,010,698	**344,561**	**3,008,526**	**247,599**
5 Financial expenses				
Interest paid to associates	0	85,819	0	85,819
Other financial expenses	109,552	65,496	105,065	65,446
Exchange loss	108,522	64,436	44,615	64,436
	218,074	**215,751**	**149,680**	**215,701**
6 Tax on profit/loss for the year				
Current tax for the year	6,943,439	2,832,749	6,832,261	2,290,000
Adjustment of tax concerning previous years	-874,461	-304,562	-569,792	-304,562
	6,068,978	**2,528,187**	**6,262,469**	**1,985,438**

Notes to the Financial Statements

7 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	271,766
Additions for the year	265,782
Disposals for the year	-158,155
Cost at 31 December	379,393
Impairment losses and depreciation at 1 January	271,766
Reversal of impairment and depreciation of sold assets	-158,155
Impairment losses and depreciation at 31 December	113,611
Carrying amount at 31 December	**265,782**

Parent Company

	Other fixtures and fittings, tools and equipment
	USD
Cost at 1 January	271,766
Additions for the year	265,782
Disposals for the year	-158,155
Kostpris at 31 December	379,393
Impairment losses and depreciation at 1 January	271,766
Reversal of impairment and depreciation of sold assets	-158,155
Impairment losses and depreciation at 31 December	113,611
Carrying amount at 31 December	**265,782**

	Parent Company	
	2021	2020
	USD	USD
8 Investments in subsidiaries		
Cost at 1 January	101,037	101,037
Cost at 31 December	101,037	101,037
Value adjustments at 1 January	1,457,327	6,064
Net profit/loss for the year	982,282	1,451,263
Value adjustments at 31 December	2,439,609	1,457,327
Carrying amount at 31 December	**2,540,646**	**1,558,364**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
XO Shipping SA	Schweitz	101.037	100%

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	USD	USD	USD	USD
9 Investments in associates				
Cost at 1 January	49,488	49,488	0	0
Disposals for the year	-49,488	0	0	0
Carrying amount at 31 December	**0**	**49,488**	**0**	**0**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Maxo Shipping SA	Rue Du Mont-Blanc 7, 1201 Geneva	CHF 100.000	49%

All foreign associates are recognised and measured as separate entities.

10 Prepayments

Prepayments consist of prepaid T/C hire.

11 Equity

The share capital consists of 53,018,400 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2021	2020	2019	2018	2017
	USD	USD	USD	USD	USD
Share capital at 1 January	8,000,000	86,520	86,520	86,520	86,520
Capital increase	0	7,913,480	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	**8,000,000**	**8,000,000**	**86,520**	**86,520**	**86,520**

Notes to the Financial Statements

12 Distribution of profit

	Parent Company 2021 USD	Parent Company 2020 USD
Extraordinary dividend paid	2,500,000	0
Proposed dividend for the year	10,000,000	2,000,000
Reserve for net revaluation under the equity method	982,282	1,451,263
Retained earnings	32,554,568	3,652,833
	46,036,850	**7,104,096**

13 Deferred income

Deferred income consist of accrued income etc.

14 Cash flow statement - adjustments

	Group		Parent Company	
	2021 USD	2020 USD	2021 USD	2020 USD
Financial income	-3,010,698	-344,561	-3,008,526	-247,599
Financial expenses	218,074	215,751	149,680	215,701
Depreciation, amortisation and impairment losses	0	-9,878	0	-9,878
Losses on sale of shares	4,487	0	0	0
Results from investments in subsidiaries	0	0	-982,282	-1,451,263
Tax on profit/loss for the year	6,068,978	2,528,187	6,262,469	1,985,438
	3,280,841	**2,389,499**	**2,421,341**	**492,399**

15 Cash flow statement - change in working capital

	Group 2021 USD	Group 2020 USD	Parent Company 2021 USD	Parent Company 2020 USD
Change in inventories	-14,295,871	2,779,444	-13,926,612	2,351,551
Change in receivables	-53,207,393	3,530,578	-53,318,597	3,493,666
Change in trade payables, etc	52,536,738	-3,768,744	52,212,890	-4,148,490
	-14,966,526	**2,541,278**	**-15,032,319**	**1,696,727**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	USD	USD	USD	USD

16 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with bankers:

	2021	2020	2021	2020
Floating charge kUSD	5,182	5,613	5,182	5,613
The following assets have been placed as security with supplier etc.:				
Cash at bank and in hand kUSD	341	1,314	341	1,314

Contingent liabilities

	2021	2020	2021	2020
The company has intered into agreements for chartering vessels on Timer Charterbasis to muturity during the year 2022. The aggregate lease obligation amounts to kUSD	115,482	22,699	115,482	22,699
The companys rent obligation and lease liability 31/12 2021 amounts to kUSD	743	61	743	61

17 Fee to auditors appointed at the general meeting

PricewaterhouseCoopers	2021	2020	2021	2020
Audit fee	29,800	33,070	27,200	28,700
Tax advisory services	4,500	5,000	4,000	5,000
Other services	9,000	21,930	9,000	21,930
	43,300	**60,000**	**40,200**	**55,630**

Notes to the Financial Statements

18 Accounting Policies

The Annual Report of XO Shipping A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The accounting policies applied remain unchanged from last year.

Consolidated and Parent Company Financial Statements for 2021 are presented in USD. Exchange rate 31 December 2021, 656,12 and 31 December 2020, 605,76.

Minor reclassifications have been made in the preparation of the Annual Report and comparison numbers. The changes has no effect on the Income Statement or Equity.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

US Dollar is used as the measurement currency. All other currencies are regarded as foreign currencies.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, XO Shipping A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Compa-

Notes to the Financial Statements

18 Accounting Policies (continued)

ny's share of the net asset value of subsidiaries stated at the time of consolidation.

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as ”Other receivables” and ”Other payables”, respectively.

Changes in the fair values of derivative financial instruments are recognised in the income statement.

Revenue

Information on geographical segments based on the Group´s risks and returns and its internal financial reporting system.

Income Statement

Revenue

Revenue that includes freight and charterincome etc., are recognized in the Income Statement, when the voyage is completed. This is considered to be the case when the voyage is completed before the end of the financial year. Ongoing voyages are recognized as the voyage are executed, then the revenue are equal to the acitivity in the financial year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Vessel operating costs

Running cost, bunkers etc. comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premesis, office expenses, administrations cost etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group.

Income from investments in subsidiaries and associates

Dividends from associates are recognised as income in the income statement when adopted at the General Meeting of the associate. However, dividends relating to earnings in the associate before it was acquired by the Parent Company are set off against the cost of the associate.

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

18 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Corporation tax for shipping operations are calculated based on Tonnage Tax rules. Of other income, tax is calculated in accordance with the Corporation Tax Act rules.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3 - 5	years

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Investments in subsidiaries and associates

Investments in associates are measured at cost. Where cost exceeds the recoverable amount, write-down is made to this lower value.

Investments in subsidiaries are recognised and measured under the equity method.

The item"Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at

Notes to the Financial Statements

18 Accounting Policies (continued)

the time of acquisition with deduction or addition of unrealised intercompany profits or losses.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at USD 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Inventories

Bunker and other consumables are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid T/C - hire.

Dividend

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Notes to the Financial Statements

18 Accounting Policies (continued)

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income and accruals comprises ongoing voyages.

Cash Flow Statement

The cash flow statement shows the Group´s and the Parent Company´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s and the Parent Company´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

Notes to the Financial Statements

18 Accounting Policies (continued)

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Solvency ratio inclusive subordinate loan capital	$\frac{\text{(Equity at year end + subordinate loan at year end) x 100}}{\text{Total assets at year end}}$