2021

Annual Report Ultrabulk A/S

Ultrabulk A/S
Smakkedalen 6, 2820 Gentofte, Denmark
CVR.no. 38 28 37 15

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ULTRABULK AT A GLANCE

ABOUT ULTRABULK

Ultrabulk is a global dry bulk operator, servicing its customers in their maritime transportation needs in the Panamax, Supramax, Handysize, MPP and Parcel Service segments.

Ultrabulk is headquartered in Gentofte, just outside Copenhagen, Denmark. Via the Ultranav Group, we have strong connections to South America and Chile in particular, but we also have a long tradition in Danish shipping with roots dating back to 1897 and “Rederiet Myren”, which was originally part of the more commonly known East Asiatic Company (EAC).

Customers are served from eight offices strategically located around the world. The geographical spread of offices enables us to serve our partners in their own time zone in relation to Chartering as well as Operations. Each office is empowered with adequate authority to make the right business decisions in a quick and efficient manner.

We aspire to build and operate the best platform of shipping services for the development and success of our customers, employees and communities.

Long-term partnerships with close customers combined with a freight trading approach are the core of our business. Ultrabulk combines an asset light business model with a strong focus on risk management.

Ultrabulk also operates in several specialised parcel services with substantial synergies to our core business. It is a strategic focus to continue developing additional specialised trades as they are very important elements in future growth of the fleet of around 160-190 vessels.

Continued investments in improving market surveillance and voyage optimisation systems will support the business development process going forward, especially in relation to efforts to optimise the balance between cargo contracts and tonnage commitments.

With its balanced book, solid balance sheet and as part of a strong shipping group, Ultrabulk is confident that it will be able to consolidate its position further as a preferred counterpart, and to actively pursue the opportunities which will arise under prevailing market conditions.

MPP
Up to 25,000 dwt - Up to 15 vessels

Handysize
25,000-45,000 dwt - Up to 60 vessels

Supramax
45,000-65,000 dwt - Up to 70 vessels

Panamax
65,000-85,000 dwt - Up to 45 vessels

Total fleet: 160 to 190 vessels

OUR ORGANISATION

Our commercial segments work in specialised teams with a strong focus on market trends in each segment. Each team is duly empowered enabling them to respond to current market conditions and fluctuations in a swift and efficient manner without unnecessary delay or bureaucracy.

We make sure to always coordinate and align between the different segments and we have a strong cross-collaboration culture in place.

A designated operator with specialised commodity and trade knowledge is allocated to each key customer. This ensures a smooth dialogue and a constructive environment, where we focus on our customers' requirements and priorities at all times.

The commercial teams are supported by a skilled and professional back-office team providing services such as business intelligence, finance and other corporate functions.

Ultrabulk®

Chartering	Operations	Support
Panamax	Laytime	Business Intelligence
Supramax	Bunker Procurement	Finance
Handysize	Legal & Claims	Treasury
Long-Term		Operations Control
Parcelling		Business Control
African Services		Communication
MPP		HR
		IT

Locations

Cape Town	Copenhagen (HQ)	Dubai (opening 2022)	New York
Rio de Janeiro	Santiago	Singapore	Sydney

A partner you can trust

Values

Our core values are the DNA of the company, guiding us in our approach, making us a partner you can trust.

Excellence | Passion | Integrity | Safety

Staff facts and figures

Offices	Staff	Nationalities
8	108	19

Average Age	Average Service	Men / Women
41 YEARS	8 YEARS	79/21 %

OUR OFFICES

Ultrabulk had 108 employees by the end of 2021, strategically located in offices in Copenhagen (Head office), Santiago, New York, Rio de Janeiro, Singapore, Cape Town and Sydney. In January 2022, Ultrabulk is opening an office in Dubai to further strengthen our services in the Middle East region.

As a pilot project, Ultrabulk decided to forfeit its physical office location in New York and provide the team with quality equipment for a professional home office. The team still meets on a regular basis, but spent most of their time working from home. It is still not decided if this will be a permanent solution.

PART OF A LARGE AND DIVERSIFIED SHIPPING GROUP

Ultrabulk A/S is a subsidiary of Ultranav, a privately owned shipping company for over six decades operating globally with offices in 14 countries.

> We aspire to be a partner you can trust who provides efficient and safe maritime transportation services to the mutual benefit of our customers, employees, communities and the environment.

Through eleven businesses, Ultranav operates in five market segments: Oil, gas, dry bulk, coastal trades, and towage & offshore. Ultranav operates a fleet of gas and chemical carriers, tankers for crude oil and clean petroleum products, bulk carriers, feeder container ships, multipurpose vessels, harbour tugs, PSVs, AHTS, pusher tugs, barges and pilot boats.

As of 31 December 2021, Ultranav counts 3,982 employees (sea and shore) and operates a fleet of 409 vessels and tugs.

Number of vessels and tugs in our fleet

Total: **409**

100	Tankers
21	MPP and containers
3	Gas carriers
179	Dry Cargo
68	Harbour tugs
23	PSV
4	AHTS
3	Pusher tugs
5	Barges
3	Pilot/Crew/Work boats

- Ultrabulk
- Navigator Gas
- Cape Tankers
- Austral Product Tankers
- Ultratank
- Horizon
- Ultranav Chile
- Antares
- Navitranso
- Ultratug
- Wilson Sons Ultratug Offshore

A partner you can trust

2021 HIGHLIGHTS

Record year on the back of a strong market

2020 was a tough year for the Ultrabulk group, as the market hit a low during the first wave of COVID-19. On the other hand, 2021 was a record year for Ultrabulk driven by favourable market conditions where we were able to benefit from the opportunities that arose across segments. We expect we can bring the momentum of 2021 into 2022 and continue the high performance of the past year.

Navigating in a world changed by Covid-19 pandemic

Similar to 2020, it has been difficult to travel to visit our customers and partners as well as travelling internally between offices. As a consequence, focus has been on creating an environment of working remotely and ensuring that we keep the company aligned and coordinated. We believe we have taken the best of both worlds by incorporating the advantages of remote working and at the same time reaping the benefits of being in the offices together when it makes sense. Travelling, we believe, is changed for good, but we do still look forward to see our customers and partners in person again.

In 2021 our digitalisation focus remained on top of the agenda as we believe new tools and systems will be imperative for our continued success both in terms of a stable bottom line but also in facing the challenge of decarbonisation.

Niche services continued importance

Our African Service, Parcel Service and the specialised MPP Service, which focuses on the Europe/Africa/Europe trades, had a strong year as we gained further ground in the markets. Specially our African Service and our MPP Service had a strong year, driven by the surging container rates as well as a strong Pacific market, which we were able to benefit from. Our activity has increased over the year and we peaked at up to 45 ships employed in the trades, making the niche services an even more integral part of our success. Apart from the activity in itself, these additional services provide customers with an even more diversified product range and have increasingly resulted in cross-segment synergies and opportunities.

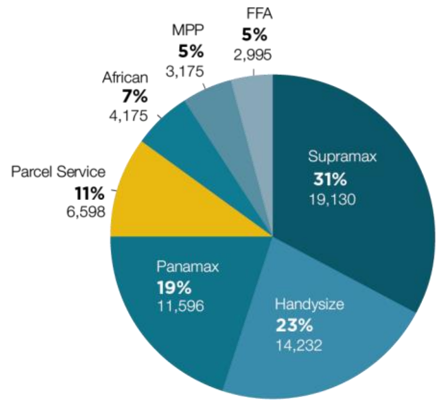
Scalability of operations

The size of our long-term fleet remained stable, similar to 2020, as we have taken delivery of a number of new vessels as well as redelivered some vessels. As the market came up we have benefitted from period options on our long-term fleet, as a tool to keep vessel costs down during the year.

Our fleet size remains flexible and hence we were able to quickly expand our fleet from an average of 137 vessels in 2020 to 160+ vessels in 2021. In both years, the market was affected by the pandemic, but where the market rates in 2020 was extremely low and unstable, the market in 2021 peaked at rates which had not been seen in years.

The total physical ship days in 2021 were 58,906 days, compared to 2020, where the total was 50,274 days. Cargo lifted was 59,3 million tons in 2021, and in 2020 the total was 52.4 million tons.

2021 Ship days (61,901) by segment & area



Dividend

The Board of Directors has proposed to pay a dividend of USD 45 million for 2021.

GROUP KEY FIGURES AND RATIOS

INCOME STATEMENT (USD '000)	2021	2020	2019	*Restated 2018	*Restated **2017
Revenue	1,762,814	900,043	1,005,634	1,047,614	891,716
Gross profit (Net earnings from shipping activities)	258,190	141,170	160,669	161,660	131,604
Operating profit before depreciation, amortization and impairment loss (EBITDA)	225,485	120,544	136,738	137,473	109,300
Operating profit (EBIT)	88,621	-2,267	33,305	35,070	13,864
Net financials	-11,586	-12,104	-16,921	-18,647	-15,898
Profit before tax	76,660	-14,371	14,795	16,148	-2,035
Net result	74,997	-16,257	13,159	14,638	-3,470
STATEMENT OF FINANCIAL POSITION (USD '000)					
Non-current assets	256,483	379,280	447,914	500,856	474,717
Current assets	374,391	209,383	213,439	190,017	182,810
Total assets	630,874	588,663	661,353	690,873	657,527
Equity, excl. non-controlling interests	200,451	135,322	158,101	143,525	133,880
Non-controlling interests	-	-	64	64	64
Non-current liabilities	126,615	233,826	289,054	351,336	331,053
Current liabilities	303,808	219,515	214,134	195,948	192,736
Net interest-bearing (liabilities)/assets, including leases	-106,046	-259,581	-281,770	-332,507	-312,623
Net interest-bearing (liabilities)/assets, excluding leases	134,298	52,163	62,437	30,076	32,133
Cash and cash equivalents, including restricted cash	92,461	76,746	91,932	74,395	69,355
CASH FLOW (USD '000)					
From operating activities	206,134	131,797	150,056	143,622	99,440
From investing activities	-33,947	6,492	13,428	-19,808	-19,264
- of which relates to investment in tangible assets	-1,008	-19,481	-26,056	-43,516	20,098
From financing activities	-182,464	-153,475	-146,259	-118,774	-104,998
Total net cash flow	-10,277	-19,234	17,225	5,040	-24,822
Change in restricted cash	-25,992	-4,048	-280	-400	11,500
Total net cash flow, excluding changes in restricted cash	15,715	-15,186	17,505	5,440	-36,322
FINANCIAL RATIOS					
Gross profit margin (Net earnings from shipping activities margin)	14.6%	15.7%	16.0%	15.4%	14.8%
EBITDA margin	12.8%	13.4%	13.6%	13.1%	12.3%
Return on equity (ROE)	44.7%	-11.1%	8.7%	10.6%	-2.6%
Equity ratio	31.8%	23.0%	23.9%	20.8%	20.4%
Physical ship days in the year	58,906	50,274	51,521	52,619	52,263

* The Group has implemented IFRS 16 with full retrospective effect. Comparatives are adjusted. Adjusted figures for 2017 and 2018 are unaudited.
** Comparative figures have not been restated to reflect the implementation of IFRS 9 and IFRS 15.

FINANCIAL REVIEW

2021 FINANCIAL PERFORMANCE

Results

Revenues increased to USD 1,762.8 million, which was almost twofold higher than last year's revenue (USD 900.0 million). The increase in revenues was linked to an increase in the average fleet size and favourable market conditions in 2021, combined with the inflated prices on bunkers.

Gross profit was USD 258.2 million corresponding to a gross margin of 14.6%, against 15.7% in 2020.

EBITDA grew to USD 225.5 million (USD 120.5 million in 2020), corresponding to an EBITDA margin of 12.8% (13.4% in 2020).

Depreciations amounted to USD 139.9 million (USD 117.1 million in 2020), mainly related to depreciation on right-of-use assets and own vessels.

Gain from sale of vessels amounted to USD 3.0 million driven by the sale of one vessel.

Financial items amounted to a net expense of USD 11.6 million (net expense of USD 11.5 million in 2020). The majority of financial expenses relate to interest expenses on lease liabilities.

Income tax amounted to USD 1.7 million and consist primarily of tax expenses under The Danish Tonnage Tax Scheme.

Net result amounted to a profit of USD 75 million (loss of USD 16 million in 2020), which is significantly above the expectations set out last year. The profit is related to the favourable market conditions and a strong positioning.

Balance sheet

Total assets amounted to USD 631 million, against USD 589 million in 2020.

Non-current assets totalled USD 256 million (USD 379 million in 2020) of which USD 229 million was Right-of-use assets (USD 299 million in 2020). The decrease from 2020 was driven by depreciations which was only partly offset by additions and remeasurements of lease assets. Additionally, one vessel was sold and another vessel was reclassified to assets held for sale.

Current assets totalled USD 374 million. The cash, including restricted cash was USD 92 million at the end of 2021 (USD 77 million at the end 2020).

Total liabilities amounted to USD 430 million compared to USD 453 million in 2020. The main part of the liabilities comprised of lease liabilities which amounted to USD 254 million at the end of 2021 (USD 338 million at the end of 2020).

Total equity increased to USD 200 million from USD 135 million in 2020, driven by profit for the year of USD 75 million, which was only partly offset by other comprehensive loss of USD 10 million.

Return on equity was 44.7% (-11.1% in 2020) and equity ratio was 31.8% at the end of 2021 (23.0% at the end of 2020).

Cash flow

The cash flow, excluding movements in restricted cash, was a cash inflow of USD 15 million against an outflow of USD 15 million last year.

Cash flow from operating activities were an inflow of USD 206 million (USD 132 million in 2020), mainly related to cash generated from the shipping activities.

Cash flow from investing activities were an outflow of USD 34 million (USD 2 million in 2020) which comprise a loan to a related company as well as an increase in restricted cash deposited at clearing houses. The outflow was only partly offset by sale of the vessels.

Cash flow from financing activities were too an outflow of USD 182 million (USD 153 million in 2020) and is mainly related to repayment of lease liabilities and vessel loans.

2022 OUTLOOK

Using a great 2021 as momentum for 2022

Ultrabulk enjoyed great performance in 2021 as well as a good market. We expect this momentum to carry into the 2022 and consequently we also expect another good year in 2022. We will see the consequences of COVID-19 slowly diminishing and expecting volatility and a dropping market, bringing lots of opportunities for us.

Based on the Company's current coverage and the expected market conditions, Ultrabulk expects another strong year with net result in the range of USD 40-80 million.

Strategic adjustment

Along with the changes made to the management team in 2021, we used the opportunity to adjust our strategic direction, increasing our short-term focus as well as digitalisation focus. With these changes, we believe that we are even better prepared for the challenges of tomorrow and this project will continue in the coming year.

Market expectations

The end of 2021 was characterised by decreasing freight rates across all segments which continued into 2022. The reason for this was fewer cargoes which is normal for this time of the year.

Although we do not expect charter rates to return to the highs of the second half of 2021, because the fleet inefficiencies caused by COVID-19 are seen to decrease along with the virus itself, we do expect charter rates to bounce back later in 2022. This is linked to the economic situation in China, which has initiated an expanding credit cycle, along with the rest of the global economy, which is expected to remain strong throughout 2022 due to government stimuli and pent-up demand being released as Omicron weakens and the world reopens from lockdowns.

Fleet congestion, longer port times and other types of fleet inefficiencies have been major factors driving up freight rates in 2021. Another major driver has been the support from the exceptionally strong container market where cargoes have been flowing into the dry-bulk market. Ultrabulk does not expect this driver to diminish significantly in 2022.

Fleet growth remain below trade growth, but the difference is expected to be outweighed in 2022 by the effects from increased fleet efficiency and resulting in lower fleet utilization than last year.

Contracting of new-buildings is expected to remain low for a number of years as there is still no real long-term alternative for the current CO_2 emitting engines on the market and future regulation is expected to shorten the operational lifetime of vessels with green house gas emitting engines. This is expected to be the main driver for positive dry-bulk markets in the coming years.

New office in Dubai

As we have seen increased activity for our fleet in the area between Dubai and west India we have decided to open up a branch in Dubai in the beginning of 2022. We look forward to get closer to our customers in this region.

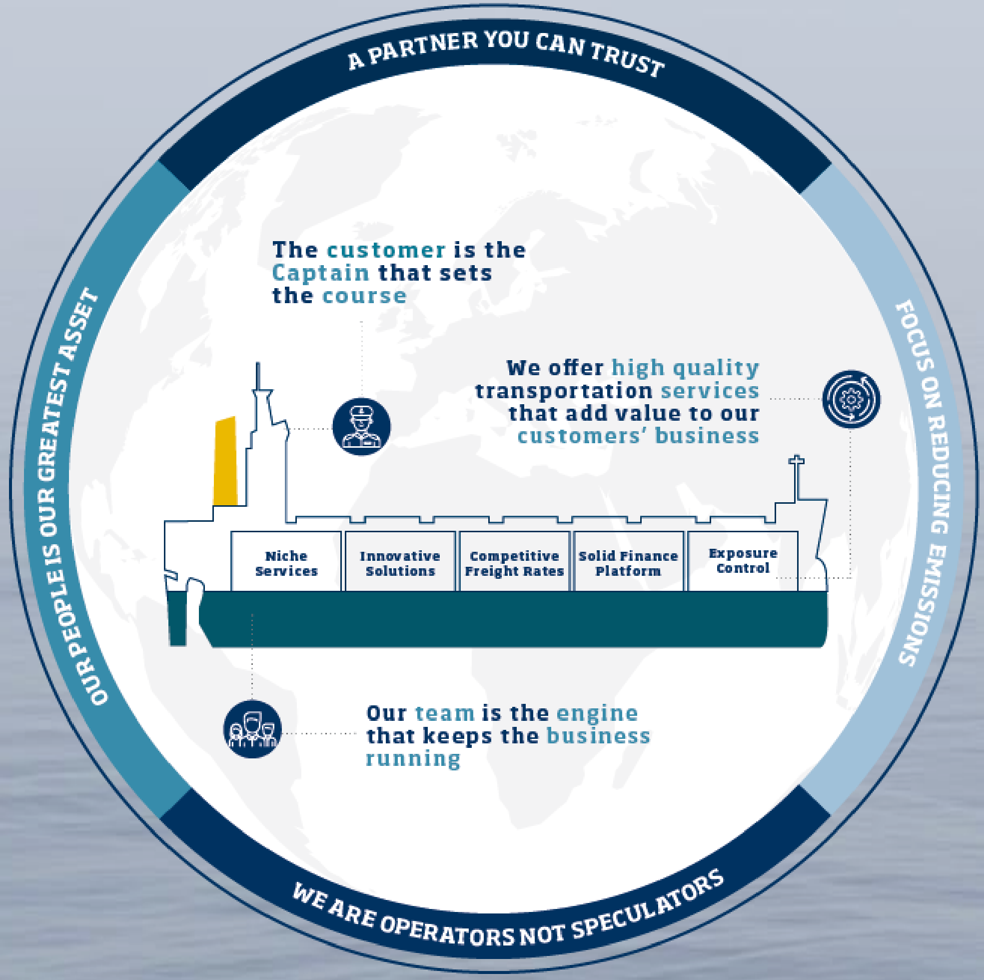
OUR BUSINESS

BUSINESS MODEL

Our business model is based on a long-term partnership philosophy combined with a short-term freight trading approach. Customer relationships, cargo contracts, tonnage procurement and risk management make up the vital core of the Ultrabulk business model.

Our team is our most important asset and the success of Ultrabulk relies on the dedication and the efforts of our skilled and professional staff. That is why Ultrabulk pays strong attention to the ongoing development of the team, both on a professional and a personal level.

Ultrabulk is committed to continue reducing emissions and minimising our environmental footprint. One of the biggest climate challenges for the global shipping industry is the IMO target to reduce the overall greenhouse gas emissions (GHG) by at least 50% by 2050.



STRATEGY AND RISK MANAGEMENT

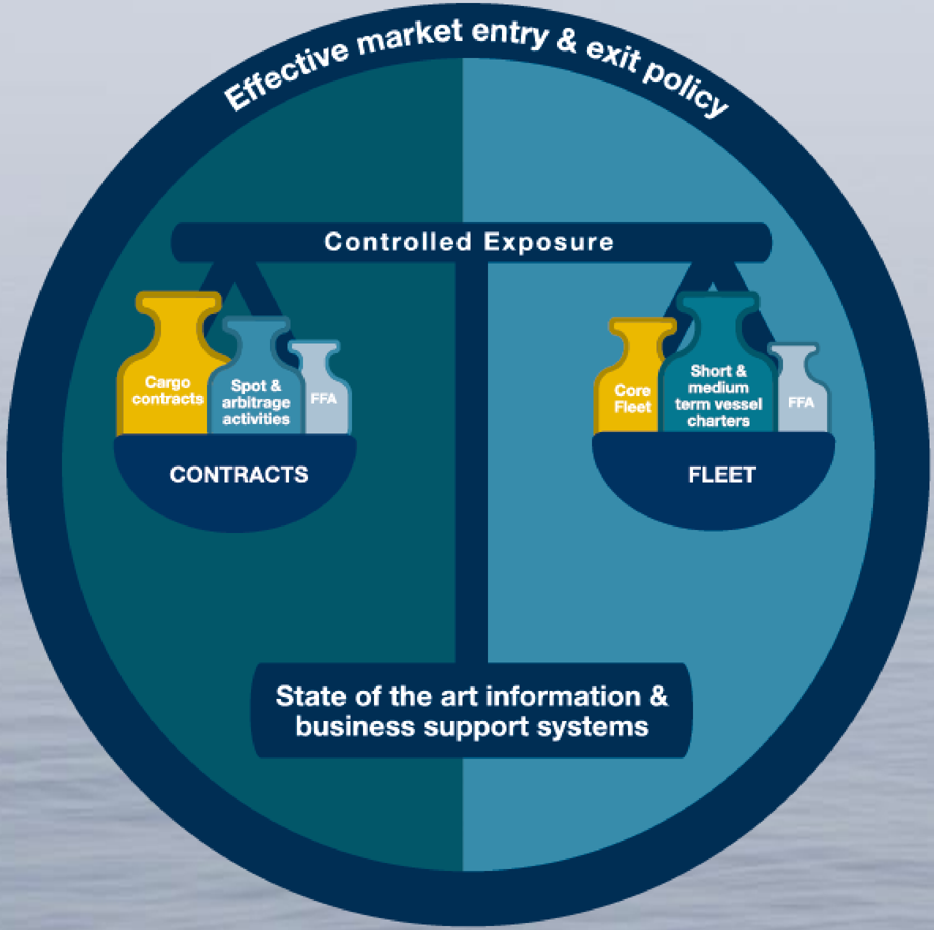
Ultrabulk's strategic focus is on empowering each business segment, enabling them to enter into new contracts, to assess risks and to determine the best way forward in an reliable and efficient manner.

Risk Management is a corner stone in Ultrabulk's strategy. Focus is on strict counterpart control both prior to entering agreements and on an ongoing basis. The control systems assist in relation to monitoring developments and ensuring risk is constrained at acceptable pre-defined levels, which are duly aligned with our strategy and proportionate with our financial strength.

A set of policies are applied to ensure each segment operates within the guidelines. This encludes the use of a Value at Risk (VaR) approach to measure and control the level of risk.

Our strategic focus on digitalisation is expected to further improve the reliability in measuring the risks in the operation.

Please refer to note 5.4 Financial and business risks for a more detailed review.



SUSTAINABILITY

The time to act is now! Ultrabulk takes its responsibility for the environment very seriously and we are committed to reduce emissions and support the development of zero emission vessels in the global fleet.

Worldwide focus on the climate is intensifying rapidly. According to IMO, shipping accounts for 80% of the world trade and 2.5% of global greenhouse gas emissions ("GHG"), and as such the industry has a significant impact on the environment and the climate. The shipping industry has an important role to play on the road to a sustainable future.

Conscious care of the environment starts by managing the operational impacts. Ultrabulk aims at strives towards having the smallest effect possible on the environment.

In 2021, Ultrabulk invested in online monitoring, increased the staff allocated to performance optimisation, and invested in optimisation software, ensuring cargo is being transported in the most efficient and environmentally friendly way by reducing total bunker consumption.

Ultrabulk is working on a project to improve auxiliary consumption as well, both at sea and in port. The project will continue in 2022 where we aim to broaden the scope.

We continue to support the development of a non-fossil fuel for the IMO 2050 goal incl. understanding the commercial impacts of using such a fuel.

We will continue to focus on speed by increasing usage of our speed calculation tool and by creating awareness with shipowners on the need of super slow steaming, allowing us to sail using only 10-15% of maximum continuous rating ("MCR").

Decarbonisation strategy

The IMO has defined the GHG Strategy to reduce the carbon footprint of international shipping. Ultranav has set the goal of exceeding the ambition of the IMO GHG strategy, which is to reduce the CO_2 intensity by 40% in 2030 and total emissions by 50% in 2050. This goal has been formalised in the Ultranav Decarbonisation Strategy.

The strategy is the framework for ongoing and future initiatives within eight interconnected pillars that will navigate us into a lower emission future.

Reporting

Ultrabulk reports on all CSR relevant activities according to the requirements in the Danish Financial Statements Act §99a. The report covers all companies of Ultranav Denmark ApS and is available on our website:

Ultrabulk.com/sustainability

CORPORATE GOVERNANCE

The Board of Directors and Executive Management of Ultrabulk are convinced that efficient and clear division of responsibilities as well as transparent decision-making processes are prerequisites of a Company's long-term value creation. Ultrabulk therefore reviews at least annually the Company's corporate governance practices and principles in accordance with legislation, customs and recommendations. As part of this process, the Board and Executive Management review the Company's strategy, organisation, business processes, risks, control mechanisms and relations with its shareholders, customers, employees and other stakeholders.

Remuneration of Board of Directors

The Board of Directors has refrained from receiving any compensation for their work in 2021, unchanged from 2020. In 2022, the members of the Board of Directors will also refrain from receiving any compensation for their work. If Ultrabulk's activities require a temporary, but extraordinary workload by the Board, a fee may be authorised. The members of the Board receive no incentive pay for their work on the Board.

Remuneration of Executive Management

The Member of the Executive Management is employed under an executive service contract, and all terms are fixed by the Board of Directors based on the guidelines approved by the general meeting.

Members of Executive Management receive a competitive remuneration package consisting of: A fixed salary, benefits such as company car and phone, and an incentive payment in terms of cash bonus. Performance criteria for the cash bonus is tied to earnings and business targets.

Gender composition

Statement on gender composition in management, cf Danish Financial statements Act 99 b

According to the requirements in Danish Financial Statement Act § 99b, Ultranav must report on gender composition in the management. Ultranav applies a policy stating that gender composition of management shall reflect the gender balance of society as a whole – with due regard to the specific conditions in the shipping business.

Both genders are represented in management (Head of area and higher) since early 2015, however not with equal representation. The representation of women in the management team has not increased in 2021 and the aim is to increase the female representation in the coming years.

Ultranav Denmark policy states and ensures equal career opportunities for men and women and is actively used as a tool for recruiting and working with both genders, and equality in general. In the recruiting processes, it is the target to have both genders presented in the final stage of selection.

With regards to the composition of Board of Directors, a target was set in 2020 to appoint at least one female member within four years from setting this ambition, which is by the end of 2024. No female member was appointed to the Board of Directors in 2021, primarily caused by the female representation in the shipping industry in general, but we will continue to work towards reaching this ambition before the end of 2024.

The Board of Directors comprises of four male members at the end of 2021.

Data ethics

Ultranav has evaluated if it is relevant to prepare a policy for data ethics. Ultranav does only enter into business with B2B customers and therefore, to a limited extend, collects and processes data. Ultrabulk 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.

SIGNATURES

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and approved the Annual Report 2021 of Ultrabulk A/S.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further disclosure requirements according to the Danish Financial Statements Act. The Financial Statements of the Parent Company have been prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and the accounting estimates made reasonable, and in our opinion the Consolidated Financial Statements and the Financial Statements of the Parent Company provide the relevant information for assessing the financial position of the Group and the Parent Company. In our opinion the Consolidated Financial Statements and the Financial Statements of the Parent Company give a true and fair view of the assets, liabilities and financial position of the Group and the Parent Company, the results of the Group's and the Parent Company's operations and the Group's cash flows for the period 1 January - 31 December 2021.

In our opinion the Management's review in the preceding pages gives a true and fair presentation of the development in the activities and the financial position of the Group and the Parent Company, the results for the year and of the Group's and the Parent Company's financial position in general. Further, in our opinion the Management's review describes the most significant risks and uncertainties that may affect the Group and the Parent Company.

We recommend that the Annual Report be adopted at the annual general meeting.

Copenhagen, 1 March 2022

EXECUTIVE MANAGEMENT

Per von Appen
Chief Executive Officer

Hans-Christian Olesen
Chief Operating Officer

Oskar Fabricius
Chief Financial Officer

Francisco Larrain
Executive Member

BOARD OF DIRECTORS

Dag von Appen
Chairman

Per von Appen
Board Member

Peter Stokes
Board Member

Jan Vermeij
Board Member

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ultrabulk A/S

Opinion

We have audited The Consolidated Financial Statements and The Parent Company Financial Statements of Ultrabulk A/S for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group and the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and The Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, The Consolidated Financial Statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion, The Parent Company Financial Statements give a true and fair view of the financial position of the Parent Company at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 Consolidated Financial Statements and The Parent Company Financial Statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on The Consolidated Financial Statements and The Parent Company Financial Statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Based on the work we have performed, we concluded that the 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 of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of Parent Company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and The Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing The Consolidated Financial Statements and The Parent Company Financial Statements, Management is responsible for assessing the Group's and the Parent 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 Parent 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 as to whether The Consolidated Financial Statements and The Parent Company Financial Statements 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 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 the financial statements.

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

- Identify and assess the risk of material misstatement of The Consolidated Financial Statements and The Parent Company 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 Group's and the Parent Company's internal control.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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 Consolidated Financial Statements and The Parent Company 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 Parent 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 Consolidated Financial Statements and The Parent Company Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

- Obtain sufficient and 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.

Copenhagen, 1 March 2022
EY
Godkendt Revisionspartnerskab
CVR no. 30 70 02 28

Thomas Bruun Kofoed
State Authorised Public Accountant
MNE no. 28677

Tommy Borggaard Nielsen
State Authorised Public Accountant
MNE no. 34340

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

PROFIT OR LOSS

1 JANUARY – 31 DECEMBER

USD thousands	Note	2021	2020
Revenue	2.1	1,762,814	900,043
Vessel operating costs and voyage related expenses	2.2	-1,504,624	-758,873
Gross profit (Net earnings from shipping activities)		258,190	141,170
Other external expenses	6.2	-7,547	-7,188
Staff costs	2.3	-25,158	-13,438
Operating profit before depreciation (EBITDA)		225,485	120,544
Depreciations	3.3	-139,912	-117,065
Impairment loss on vessels	3.1	-	-2,910
Gain/(loss) from sale of vessels, net	3.2	3,000	4,252
Share of Joint Ventures' profit after tax	3.5	48	-7,088
Operating profit (EBIT)		88,621	-2,267
Share of associates' profit after tax	3.4	-375	-645
Financial income	5.1	495	4,379
Financial expenses	5.1	-12,081	-15,838
Profit before tax		76,660	-14,371
Tax	2.4	-1,663	-1,886
Net result		**74,997**	**-16,257**

STATEMENT OF OTHER COMPREHENVISE INCOME

1 JANUARY – 31 DECEMBER

USD thousands	Note	2021	2020
Net result		74,997	-16,257
Items that will be reclassified subsequently to the Consolidated Profit or Loss when specific conditions are met:			
Cash flow hedges, deferred gains/losses for the year	5.6	-9,868	2,865
Exchange gain/loss reclassified to share of associates' profit after tax		-	645
Other items		-	-96
Other comprehensive income, net of tax		-9,868	3,414
Total comprehensive income		**65,129**	**-12,843**

CONSOLIDATED BALANCE SHEET

ASSETS

USD thousands	Note	2021	2020
Vessels	3.1	-	41,545
Right-of-use assets	3.1	228,682	299,239
Fixtures, fittings, and equipment	3.1	959	731
Tangible assets	3.1	229,641	341,515
Investments in associates	3.4	375	750
Investments in Joint Ventures	3.5	18,238	18,190
Loans receivable from related companies	6.6	5,396	4,837
Derivative financial instruments	5.6	1,341	188
Receivable from subleases		1,242	13,550
Deposits		250	250
Financial assets, non-current		26,842	37,765
Total non-current assets		256,483	379,280
Inventories	4.2	35,133	17,860
Trade and other receivables	4.1	114,697	60,455
Receivables from related companies	4.1	57	1,193
Loans to related companies	4.1	46,086	612
Receivable from subleases		12,297	12,297
Prepayments	4.1	48,770	20,979
Derivative financial instruments	5.6	4,798	3,341
Cash and cash equivalents, including restricted cash	4.3	92,461	76,746
Assets classified as held for sale	3.2	20,092	15,900
Total current assets		374,391	209,383
Total assets		**630,874**	**588,663**

LIABILITIES

USD thousands	Note	2021	2020
Share capital	6.7	5,134	5,134
Retained earnings		161,915	131,918
Other reserves		-11,598	-1,730
Proposed dividend		45,000	-
Total Equity		200,451	135,322
Interest bearing loans and borrowings	5.2	-	18,175
Lease liabilities	5.3	125,667	212,588
Derivative financial instruments	5.6	948	3,063
Total non-current liabilities		126,615	233,826
Trade and other payables	4.4	146,626	77,072
Payables to related companies	4.4	2,021	2,227
Interest bearing loans and borrowings	5.2	9,644	11,245
Lease liabilities	5.3	128,216	125,003
Derivative financial instruments	5.6	15,569	2,273
Income tax payable		1,732	1,695
Total current liabilities		303,808	219,515
Total liabilities		430,423	453,341
Total equity and liabilities		**630,874**	**588,663**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in USD thousands	Note	2021	2020
Profit/(loss) before tax		76,660	-14,371
Instalments received from sub-lease receivables		12,308	11,070
Tax paid		-1,626	-2,768
Adjustment of other non-cash operating items	6.4	147,614	136,294
Change in working capital	6.5	-28,822	1,572
Net cash flows from operating activities		206,134	131,797
Investments in tangible assets		-1,008	-19,481
Sale of tangible assets		39,007	28,120
Loans to related companies		-45,954	-2,147
Change in restricted cash	4.3	-25,992	-4,048
Net cash flow from investing activities		-33,947	2,444
Free cash flow		172,187	134,241
Dividends paid to equity holders		-	-10,000
Repayment of loans	6.6	-19,979	-3,699
Interest payments on loans		-1,057	-1,047
Repayment of lease liabilities	6.6	-150,218	-124,193
Interest payments on lease liabilities		-11,210	-14,536
Net cash flows from financing activities		-182,464	-153,475
Net change in cash and cash equivalents		**-10,277**	**-19,234**
Cash and cash equivalents at 1 January		71,618	90,852
Net change in cash and cash equivalents		-10,277	-19,234
Cash and cash equivalents at 31 December		61,341	71,618
Restricted cash	4.3	31,120	5,128
Cash and cash equivalents		61,341	71,618
Cash and cash equivalents incl. restricted cash at 31 December		**92,461**	**76,746**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD thousands	Share capital	Cash flow hedge reserve	Currency translation reserve	Proposed dividends	Retained earnings	Total	Non-controlling interests	Total equity
Equity as 1 January 2021	**5,134**	**-1,730**	**-**	**-**	**131,918**	**135,322**	**-**	**135,322**
Net result	-	-	-	45,000	29,997	**74,997**	-	**74,997**
Cash flow hedge	-	-9,868	-	-	-	**-9,868**	-	**-9,868**
Tax of cash flow hedges	-	-	-	-	-	**-**	-	**-**
Other comprehensive income for the year	**-**	**-9,868**	**-**	**-**	**-**	**-9,868**	**-**	**-9,868**
Total comprehensive income for the year	**-**	**-9,868**	**-**	**45,000**	**29,997**	**65,129**	**-**	**65,129**
Distributed dividend	-	-	-	-	-	**-**	-	**-**
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity as 31 December 2021	**5,134**	**-11,598**	**-**	**45,000**	**161,915**	**200,451**	**-**	**200,451**
Equity as 1 January 2020	**5,134**	**-4,595**	**-1,019**	**-**	**158,518**	**158,101**	**64**	**158,165**
Net result	-	-	-	-	-16,257	**-16,257**	-	**-16,257**
Cash flow hedge	-	2,865	-	-	-	**2,865**	-	**2,865**
Tax of cash flow hedges	-	-	-	-	-	**-**	-	**-**
Foreign exchange adjustments on net investments in foreign operations	-	-	645	-	-	**645**	-	**645**
Other changes	-	-	374	-	-470	**-96**	-	**-96**
Other comprehensive income for the year	**-**	**2,865**	**1,019**	**-**	**-470**	**3,414**	**-**	**3,414**
Total comprehensive income for the year	**-**	**2,865**	**1,019**	**-**	**-16,727**	**-12,843**	**-**	**-12,843**
Distributed dividend	-	-	-	-	-10,000	**-10,000**	-	**-10,000**
Other transactions with shareholders	-	-	-	-	64	**64**	-64	**-**
Transactions with shareholders	**-**	**-**	**-**	**-**	**-9,936**	**-9,936**	**-**	**-10,000**
Equity as 31 December 2020	**5,134**	**-1,730**	**-**	**-**	**131,918**	**135,322**	**-**	**135,322**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION

1.1 Basis of reporting

1.2 Significant accounting judgements and estimates

1.1 BASIS OF REPORTING

§ GENERAL ACCOUNTING POLICIES

Ultrabulk A/S is a company domiciled in Denmark.

The Consolidated Financial Statements of Ultrabulk A/S for 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Measurement basis

The Consolidated Financial Statements have been prepared on the historical cost basis except certain financial assets and liabilities. These financial assets and liabilities have been measured at fair value.

The Consolidated Financial Statements have been presented in USD thousands except when otherwise indicated. The DKK/USD rate applied at 31 December 2021 was 656.12 (2020: 605.76) and the average DKK/USD applied for the year was 629.18 (2020: 653.43).

Apart from the general accounting policies, which are summarised in this note, the Group's accounting policies are described in each of the individual notes to the Consolidated Financial Statements to which they relate.

The accounting policies, as described below and in the respective notes, have been used consistently in respect of the financial year and the comparative figures.

Accounting standards effective in 2021

Ultrabulk A/S has adopted all new or amended and revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2021.

None of the amendments and interpretations, which were adopted for the first time in 2021, have had a significant impact on the Consolidated Financial Statements of the Group.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are either insiginificant or irrelevant to the Group. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Management does not anticipate any significant impact on future periods from the adoption of these new amendments.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company Ultrabulk A/S and subsidiaries in which Ultrabulk A/S has control (the Group), i.e. the power to govern the financial and operating policies so as to obtain benefits from its activities. Control is obtained when the Company directly or indirectly holds more than 50% of the voting rights in the subsidiary or which it, in some other way, controls.

Enterprises over which the Group exercises significant influence, but which it does not control, are considered associates. Significant influence is generally obtained by direct or indirect ownership or control of more than 20% of the voting rights but less than 50%.

When assessing whether Ultrabulk A/S exercises control or significant influence, potential voting rights which are exercisable at the balance sheet date are taken into account.

Common control transactions are accounted for using the pooling-of-interest method. The receiving company of the net assets initially recognizes the assets and liabilities transferred at their carrying amount.

The result of operations for the period in which the transfer occurs is presented as though the transfer had occurred at the beginning of the period. Financial statements and financial information for prior years are restated to provide appropriate comparative information.

The Consolidated Financial Statements has been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group accounting policies.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the enterprise. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

The accounting items of subsidiaries are included in full in The Consolidated Financial Statements.

1.1 BASIS OF REPORTING (CONTINUED)

§ GENERAL ACCOUNTING POLICIES

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not held by Ultrabulk A/S and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity. Initially the non-controlling interest is recognised based on their share of the fair value of the assets and liabilities acquired.

Foreign currency translation

For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions denominated in other currencies than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date.

The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

In The Consolidated Financial Statements, the income statements of entities with another functional currency than USD are translated at the exchange rates at the transaction date and the balance sheet items are translated at the exchange rates at the balance sheet date.

An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of the underlying transactions.

Foreign exchange differences arising on translation of the opening balance of equity of such foreign operations at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognised in other comprehensive income and presented in equity under a separate translation reserve.

Applying materiality

The financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. When aggregated, the transactions are presented in classes of similar items in the financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

Statement of Cash Flows

The Statement of Cash Flows shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss before tax adjusted for non-cash operating items, changes in working capital, interest payments, dividends and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and of intangible assets, property, plant, and equipment and other non-current assets as well as acquisition and disposal of securities not classified as cash and cash equivalents, along with movements in restricted cash.

1.1 BASIS OF REPORTING (CONTINUED)

§ GENERAL ACCOUNTING POLICIES

Statement of Cash Flows (continued)

Cash flows from financing activities comprise changes in the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and leases, interest payments, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rate at the transaction date.

Statement of changes in equity

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The proposed dividend payment for the year is disclosed as a separate item under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividends is made.

The translation reserve comprises foreign exchange differences arising on translation of financial statements of entities that have a functional currency different from USD. On full or partial realisation of the net investment, the foreign exchange adjustments are recognised in the income statement.

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions, and net of tax, that qualify for recognition as a cash flow hedge and where the hedged transaction has not been realised.

Financial ratios

Financial ratios are calculated in accordance with the *Recommendations and Ratios* issued by *The Danish Finance Society*, unless specifically stated.

1.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

§ ACCOUNTING POLICIES

The preparation of the Group's Consolidated Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of asset and liability affected in future periods.

Significant judgements

In the process of applying the accounting policies, management has made the following judgements which are considered to be significant to the Consolidated Financial Statements:

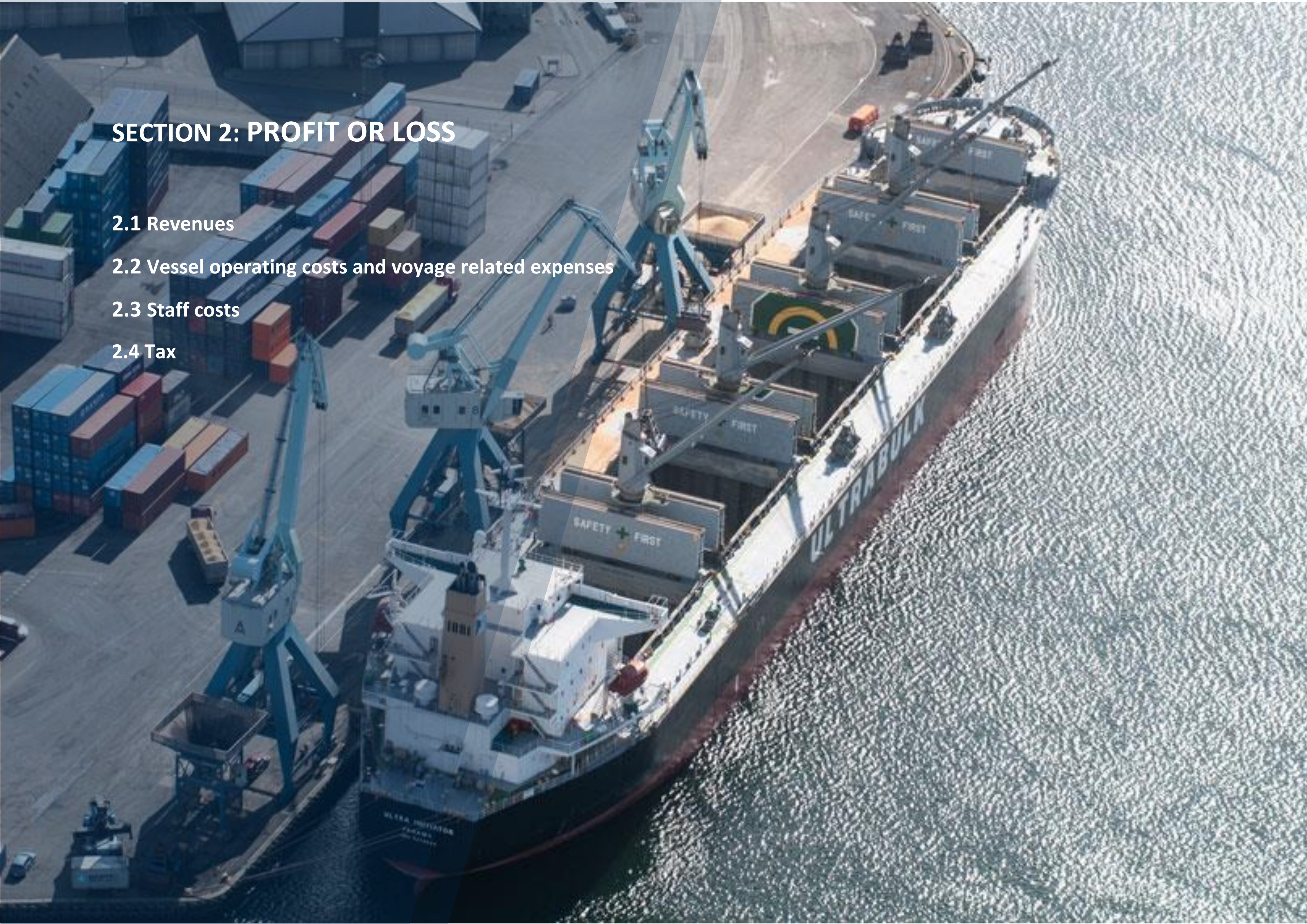
Hedge accounting (note 5.6)

Significant estimates

Likewise, management has made the following estimates which are considered to be significant to the Consolidated Financial Statements:

Assessing indicators of impairment and cash-generating units of vessels (note 3.1)
Assessing indicators of impairment with respect to Joint Ventures (note 3.4)
Measurement of non-lease components (note 5.3)

SECTION 2: PROFIT OR LOSS



2.1 REVENUES

§ ACCOUNTING POLICIES

Revenue

Revenues from freight and time-charters are recognised as the services are rendered based the percentage of completion method. According to the method, revenues are recognised over the period from the vessel's load date to the delivery of the cargo (Load to Discharge). Demurrage is included if a claim is considered probable. Losses arising from time or voyage charter are provided for in full when they become probable.

Realised gains and losses on derivatives, which are accounted for as hedges of revenue transactions, are recognised in revenues .

Disaggregation of revenue

Revenues from contracts with customers are disaggregated by type of vessel and type of contracts with customers.

As the Company is neither listed at any stock market, nor have debt or equity instruments are traded in a public market, it has been decided not to apply IFRS 8 Operating Segments, and not disclose any segment information.

Sublease income

The Group enters into arrangements to sublease an underlying asset to a third party, while Ultrabulk retains the primary obligation under the original lease.

In these arrangements, Ultrabulk acts as both the lessee and lessor of the same underlying asset.

If a leased vessel is sub-leased under terms transferring substantially all remaining risks and rewards under the head lease to the lessee in the sub-lease, the right-of-use asset is derecognised, and a lease receivable is recognised. Gain/loss on the derecognised right-of-use asset, if any, is recognised in the income statement as other operating income/expenses.

During the term of the sublease, Ultrabulk recognises both finance income on the sublease as revenue and interest expense on the head lease as financial expense.

USD thousands	2021	2020
Panamax	311,561	202,785
Supramax	598,283	333,863
Handysize	374,921	184,359
African Services, Parcel Services and MPP Services	478,049	179,036
Revenue by type of vessel	1,762,814	900,043

USD thousands	2021	2020
Income from freight	1,374,754	737,220
Income from Time-Charter	377,035	157,093
Sublease income	1,716	2,672
Other	9,309	3,058
Revenue by type of contract	1,762,814	900,043

2.2 VESSEL OPERATING COSTS AND VOYAGE RELATED EXPENSES

§ ACCOUNTING POLICIES

Voyage expenses, time-charter hire and operating expenses are recognised as the services are rendered bases the percentage of completion method. According to the method all spot voyages and voyages servicing Contract of Affreightment (CoA) related expenses are recognised over the period from the vessel's load date to the delivery of the cargo (Load to Discharge).

Expenses directly attributable to positioning the vessel to the loading port are capitalised and expensed over the period from the vessel's load date to the delivery of the cargo (Load to Discharge).

Vessel operating costs and voyage related expenses comprise mainly of time charter hire, bunker and port expenses, including realised gains or losses on bunker and FFA hedges, which are accounted for as hedges of voyage related expenses and time charter hire.

Non-lease components of lease arrangements are described further in note 5.3 Lease liabilities.

USD thousands	2021	2020
Bunkers	-274,199	-192,911
Other voyage related expenses	-224,404	-178,191
Voyage related expenses	-498,603	-371,102
Time-Charter hire, short-term leases	-913,496	-297,468
Operating expenses, long-term leases (non-lease component)	-88,592	-85,491
Other	-3,934	-4,812
Time-Charter hire and operating expenses	-1,006,022	-387,771
Vessel operating costs and voyage related expenses	-1,504,625	-758,873

2.3 STAFF COSTS

§ ACCOUNTING POLICIES

Staff costs comprise wages and salaries, including incentives, to onshore employees.

USD thousands	2021	2020
Wages and salaries	-23,772	-12,002
Pensions – defined contribution plans	-1,021	-847
Other staff costs	-365	-589
Staff cost to on-shore employees	-25,158	-13,438
Staff costs	-25,158	-13,438

Average number of employees	104	97

The staff cost of onshore employees are recognised as “Staff costs” in profit or loss. Staff cost of crew on own vessels are recognised as “Vessel operating costs and voyage related expenses”.

Remuneration of certain employees, who are remunerated by related companies, are expensed as management fee, and consequently recognised as “Other external expenses”.

2.4 TAX

§ ACCOUNTING POLICIES

Taxes

Ultrabulk A/S is jointly taxed with Ultranav Denmark ApS (Parent Company) and the Parent Company is the administration company for the jointly taxed companies. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In relation to the shipping activities, Ultrabulk A/S participates in the Danish Tonnage Tax Scheme.

Companies that use tax losses in other companies pay the joint tax contribution to the Parent Company at an amount corresponding to the tax value of the tax losses used. Companies, whose tax losses are used by other companies, receive joint tax contributions from the Parent Company corresponding to the tax value of the losses used (full absorption). The jointly taxed companies are taxed under the tax prepayment scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement. Tax attributable to entries directly under comprehensive income is recognised directly in other comprehensive income.

USD thousands	2021	2020
Current tax on profit for the year	-1,615	-1,699
Tax on profit for the year	-1,615	-1,699
Adjustments related to previous years – current tax	-48	-187
Tax in the income statement	-1,663	-1,886

Computation of effective tax rate (%):

Statutory corporate income tax in Denmark	22.0%	22.0%
Effects from Tonnage Tax Scheme	-21,3%	-26.9%
Effects of adjustments related to prior years	0.6%	1.0%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	1.4%	-9.5%
Effective tax rate	2.2%	-13.4%

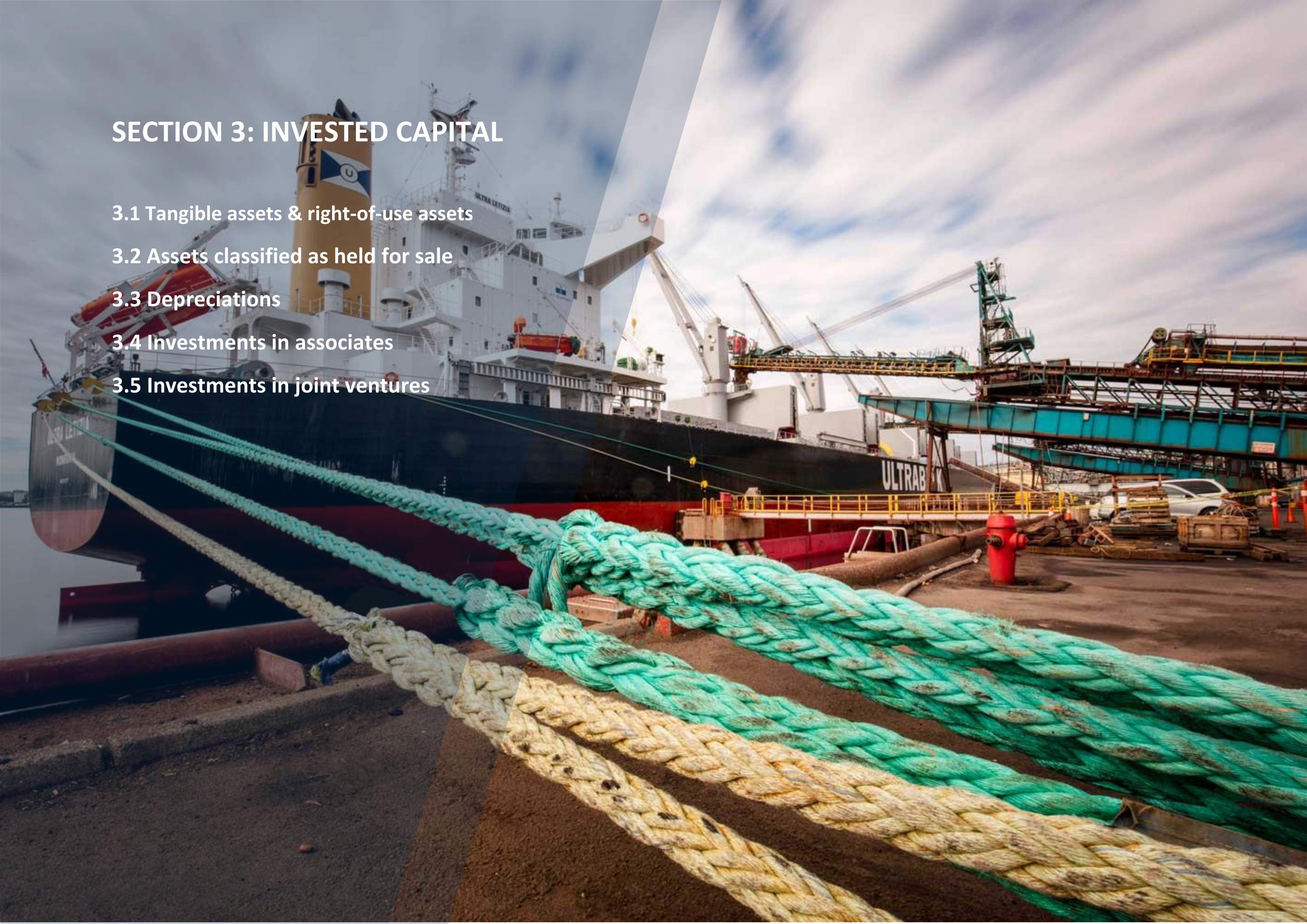
§ ACCOUNTING POLICIES (CONTINUED)

Deferred tax

All significant Danish entities within the Group entered into the Danish tonnage taxation scheme for a binding 10 year period with effect from 2017. Under the Danish tonnage taxation scheme, taxable income is not calculated on the basis of income and expenses as under the normal corporate taxation. Instead, taxable income is calculated with reference to the tonnage used during the year. The taxable income for a company for a given period is calculated as the sum of the taxable income from the activities under the tonnage taxation scheme and the taxable income from the activities that are not covered by the tonnage taxation scheme made up in accordance with the ordinary Danish corporate tax system. If the participation in the Danish tonnage taxation scheme is abandoned, or if the entities' level of investment and activity is significant reduced, a deferred tax liability will become payable.

For the taxable income which is made up in accordance to the ordinary corporate tax system, a deferred tax is recognized at each period end and is accounted for using the balance sheet liability method. Deferred tax assets, including the tax value of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilisation - either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.



SECTION 3: INVESTED CAPITAL

3.1 Tangible assets & right-of-use assets

3.2 Assets classified as held for sale

3.3 Depreciations

3.4 Investments in associates

3.5 Investments in joint ventures

3.1 TANGIBLE ASSETS & RIGHT-OF-USE ASSETS

§ ACCOUNTING POLICIES

Tangible assets

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Instalments and costs incurred during the construction period on new building contracts are capitalised as they are paid. Borrowing costs (interest) that are attributable to the construction of the vessels are capitalised and included as part of the cost. The capitalised value is reclassified from new buildings to vessels upon delivery from the yard.

Where individual components of an item of tangible assets have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

• Vessels: 20 years

• Fixtures, fittings and equipment: 2 - 10 years

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The useful life and residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued, The residual value of the vessels is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton.

When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

The carrying values of vessels and new buildings are reviewed for impairments when events or changes in circumstances indicate that the carrying value may not be recoverable. Valuations are performed frequently to ensure that the fair value of the asset does not differ materially from its carrying amount.

Right-of-use assets

Right-of-use assets primarily consist of leased vessels.

Ultrabulk recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made before the commencement date.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to testing for impairment if there is an indicator of impairment, as for owned assets.

3.1 TANGIBLE ASSETS (CONTINUED)

§ ACCOUNTING POLICIES

Impairment of tangible assets

The carrying amount of non-current assets is reviewed annually for indicators of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined.

The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs. An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement in a separate line item.

Impairment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

! ACCOUNTING ESTIMATES

DERTERMINING CGU

Management's assessment of indicators of impairment on right-of-use assets (vessels) is based on the cash-generating units in which assets are included. The identification of such cash-generating units involves significant judgement.

Management has concluded that the entire fleet of dry bulk vessels (owned and leased) constitutes a cash generating unit, as the vessels are managed on a portfolio basis and considered to be interchangeable. Further, the vessels owned by Ultra Summit (joint venture) are generally included in the CGU.

ASSESSING INDICATIONS OF IMPAIRMENT

Management's assessment of whether there is any indication that an asset, or a CGU, may be impaired comprise, among other things, financial performance, broker values, newbuilding prices, and freight and time charter rates. This assessment involves significant judgment. Climate-related risks in the near future relate mainly to the freight rates that a vessel is able to reach depending on its environmental classification and performance. This was taken into consideration when we determined the freight and time charter rates. Long-term climate-related risks were not regarded as a significant factor in the impairment test as the majority of operated vessels are chartered and such risks remain with the owners of the vessels.

Following the significant increase in dry cargo rates which happened in 2021, and a positive outlook in the coming years where the dry cargo rates are expected to stay well above the level in the period 2019-2020, although lower than the peaks seen in 2021, Management has not identified any indicators of impairment which would necessitate that an impairment test be prepared for any asset or CGU.

3.1 TANGIBLE ASSETS (CONTINUED)

2021 USD thousands	Vessels	Fixtures, fittings and equipment	Right-of-use assets	Total
Costs as of 1 January, accumulated	48,828	6,131	712,693	767,652
Additions	-	1,008	39,901	40,909
Disposals	-24,599	-208	-137,258	-162,065
Remeasurements	-	-	26,609	26,609
Transferred to assets classified as held for sale	-24,229	-	-	-24,229
Cost at 31 December, accumulated	-	6,931	641,945	648,876
Depreciation and impairments at 1 January, accumulated	-7,283	-5,400	-413,454	-426,137
Depreciation	-2,070	-775	-137,067	-139,912
Depreciation on disposals	5,216	203	137,258	142,677
Impairment loss on assets transferred to assets classified as held for sale	-	-	-	-
Transferred to assets classified as held for sale	4,137	-	-	4,137
Depreciation and impairment at 31 December, accumulated	-	-5,972	-413,263	-419,235
Carrying amount 31 December	-	959	228,682	229,641

Disposed vessels for the year comprise of one vessel, which was sold and delivered during 2021 to its new owners.

Furthermore, management were actively pursuing a sale of another vessel, which remains the only wholly-owned vessel in the portfolio at the end of 2021. As a consequence, and because management believed that a sale was highly probable within 12 months, the carrying amount of the vessel has been transferred to assets classified as held for sale. The vessel was in fact sold and delivered to its new owners in January 2022. Refer to note 3.2 Asset classified as held for sale.

2020 USD thousands	Vessels	Fixtures, fittings and equipment	Right-of-use assets	Total
Costs as of 1 January, accumulated	73,029	6,023	683,643	762,695
Additions	842	742	79,179	80,763
Disposals	-	-634	-54,827	-55,461
Remeasurements	-	-	4,698	4,698
Transferred to assets classified as held for sale	-25,043	-	-	-25,043
Cost at 31 December, accumulated	48,828	6,131	712,693	767,652
Depreciation and impairments at 1 January, accumulated	-10,199	-5,210	-355,336	-370,745
Depreciation	-3,317	-803	-112,945	-117,065
Depreciation on disposals	-	613	54,827	55,440
Impairment loss on assets transferred to assets classified as held for sale	-2,910	-	-	-2,910
Transferred to assets classified as held for sale	9,143	-	-	9,143
Depreciation and impairment at 31 December, accumulated	-7,283	-5,400	-413,454	-426,137
Carrying amount 31 December	41,545	731	299,239	341,515

Disposed vessels last year comprise one vessel, which was sold in 2020 to a related company with delivery in 2021. Consequently, the vessel was written down by USD 2.9 million to an amount corresponding to the sales price. The carrying amount was subsequently transferred to assets classified as held for sale

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3.2 ASSETS CLASSIFIED AS HELD FOR SALE

§ ACCOUNTING POLICIES

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets are no longer depreciated or amortised once classified as held for sale.

USD thousands	2021	2020
Carrying amount at 1 January	15,900	5,630
Sold during the year	-15,900	-5,630
Transferred to assets classified as held for sale	20,092	15,900
Carrying amount at 31 December	20,092	15,900

One vessel, was sold in 2020 and was subsequently transferred to assets classified as held for sale. In 2021, it was delivered to its new owners.

Another vessel, was transferred to assets classified as held for sale at the end of 2021 as management was actively pursuing a sale of the vessel at the balance sheet date. The vessel was in fact sold and delivered to its new owners in January 2022.

3.3 DEPRECIATIONS

§ ACCOUNTING POLICIES

For accounting policies related to depreciations, reference is made to note 3.1 Tangible assets.

USD thousands	2021	2020
Depreciations on owned vessels	-2,070	-3,317
Depreciations on right-of-use assets	-137,067	-112,945
Depreciations on fixture, fittings, and equipment	-775	-803
Depreciations	-139,912	-117,065

3.4 INVESTMENTS IN ASSOCIATES

§ ACCOUNTING POLICIES

Investments in associates are recognised in The Consolidated Financial Statements according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill.

Investments in associates are tested for impairment when impairment indicators are identified.

Investments in associates with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, the remaining amount is recognised under provisions.

Amounts owed by associates are measured at amortised cost. Write-down is made for bad debt losses.

The proportionate share of the result after tax of associates is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profits/losses.

USD thousands	2021	2020
Cost at 1 January	1,408	1,408
Cost at 31 December	1,408	1,408
Value adjustment at 1 January, accumulated	-658	-658
Impairment	-375	-
Share of the result for the year	-	-
Value adjustment at 31 December, accumulated	-1,033	-658
Carrying amount at 31 December	375	750

The carrying amount can be specified as follows:

Pérola S.A., Brasil, interest 20%	375	750

Pérola S.A. is in the process of formal liquidation. The carrying amount of USD 0.4 million is the expected liquidation proceeds of Pérola, when the entity is fully liquidated.

3.5 INVESTMENTS IN JOINT VENTURES

§ ACCOUNTING POLICIES

Undertakings which are contractually operated jointly with another counterparty (joint ventures) and thus are jointly controlled are recognised in The Consolidated Financial Statements according to the equity method. Investments in joint ventures are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses and plus additional value on acquisition, including goodwill. Investments in joint ventures are tested for impairment when impairment indicators are identified. Investments in joint ventures with negative net asset values are measured at USD 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the joint ventures, the remaining amount is recognised under provisions.

Amounts owed by joint ventures are measured at amortised cost. Write-down is made for bad debt losses. The proportionate share of the result after tax of the joint ventures is recognized in the consolidated income statement after elimination of the proportionate share of intra-group profit/losses.

! ACCOUNTING ESTIMATES

ASSESSING INDICATIONS OF IMPAIRMENT

Ultra Summit (Singapore) Pte. Ltd, owns four vessels, all of which are chartered on fixed-rate terms to Ultrabulk. Three of the vessels are part of the cash generating unit for Ultrabulk's fleet cf. note 3.1.

For the fourth vessel, no impairment or reversal hereof is identified at 31 December 2021 (2020: impairment charge of USD 6.3 million). In assessing the value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (WACC of 8%). The Group bases its impairment calculation on budgets and rate forecasts, which are based on internal forecasts benchmarket to broker estimates. These budgets and forecasts calculations generally cover a period of five years. The cash flows were projected in the remaining useful life of the vessel using a 2% inflationary increase.

3.5 INVESTMENTS IN JOINT VENTURES (CONTINUED)

USD thousands	2021	2020
Cost at 1 January	23,825	23,825
Cost at 31 December	23,825	23,825
Value adjustment at 1 January, accumulated	-5,634	1,454
Share of the result for the year	48	-7,088
Value adjustment at 31 December, accumulated	-5,586	-5,634
Carrying amount at 31 December	18,238	18,190

The carrying amount can be specified as follows:

Ultra Summit (Singapore) Pte., Ltd, 50%	18,238	18,190

Key figures for the investment in Joint Ventures (100% basis):

Assets	92,929	97,180
Liabilities	-56,451	-60,800
Net assets	36,478	36,380
Revenues	20,962	15,492
Profit/loss for the year	96	-14,176
Total comprehensive income for the year	96	-14,176

SECTION 4: WORKING CAPITAL

4.1 RECEIVABLES AND PREPAYMENTS

4.2 INVENTORIES

4.3 RESTRICTED CASH

4.4 TRADE AND OTHER PAYABLES

4.1 RECEIVABLES AND PREPAYMENTS

§ ACCOUNTING POLICIES

Receivables

Receivables are measured at amortised cost less provisions for impairment losses.

Ultrabulk applies the simplified approach to providing the expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses trade receivables have been grouped based on credit risks and the day past due. In accordance with IFRS 9, non-due trade receivables have also been impaired.

For a description of Ultrabulk's payment terms as well as management of credit risk, reference is made to note 5.4 Financial risks.

Contract assets

Contract assets includes accrued revenue for voyages that are not completed at 31 December, and which were not yet invoiced or prepaid at that date. Contract assets are recognised when a sales transaction fulfils the criteria for revenue recognition but no final invoice has yet been issued to the customer for the services delivered.

Prepayments

Prepayments comprise cost incurred in relation to subsequent financial years.

USD thousands	2021	2020
Customers (trade receivables)	63,398	31,801
Contract assets	31,435	14,726
Other receivables	19,864	13,928
Trade and other receivables	114,697	60,455
Receivables from related companies	57	1,193
Loans to related companies	51,482	5,449
Receivables from related companies	51,539	6,642
Prepayments	48,770	20,979
Prepayments	48,770	20,979
Trade and other receivables, prepayments, loans to related companies and receivables from related companies	215,006	88,076

Maturity analysis for trade receivables:		
- Receivables not due	27,417	11,766
- Less than 90 days	32,963	18,207
- Between 91 days and 180 days	1,860	907
- Between 181 days and 360 days	1,104	81
- More than 360 days	54	840
Carrying amount of trade receivables	63,398	31,801

Change in provision for trade receivables:		
Provision at 1 January	1,344	1,020
Net change in provision	4,727	324
Provision 31 December	6,071	1,344

Trade receivables are non-interest bearing and are generally fall due within 5 – 30 days.

4.2 INVENTORIES

§ ACCOUNTING POLICIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense. Costs of bunkers include the transfer from equity to profit and loss on qualifying cash flow hedges.

USD thousands	2021	2020
Bunkers	35,133	17,860
Inventories	35,133	17,860
Bunker expenses recognised in the profit or loss	274,199	192,911

A part of the future bunker consumption has been hedged in accordance with the Group's risk management policy. This is further described in note 5.4 Financial risks.

4.3 RESTRICTED CASH

§ ACCOUNTING POLICIES

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand, short-term deposits with an original maturity of three months or less, and cash balances which are restricted.

USD thousands	2021	2020
Cash and cash equivalents	61,341	71,618
Restricted cash in the form of deposits with clearing houses	31,120	5,128
Cash and cash equivalents, including restricted cash	92,461	76,746

The Group trades derivative financial instruments through clearing houses. In that connection, the Group has established margin accounts with those clearing houses on which cash is deposited as security.

4.4 TRADE AND OTHER PAYABLES

§ ACCOUNTING POLICIES

Trade and other payables

Trade payables, payables to related parties, and other payables are measured at amortised cost.

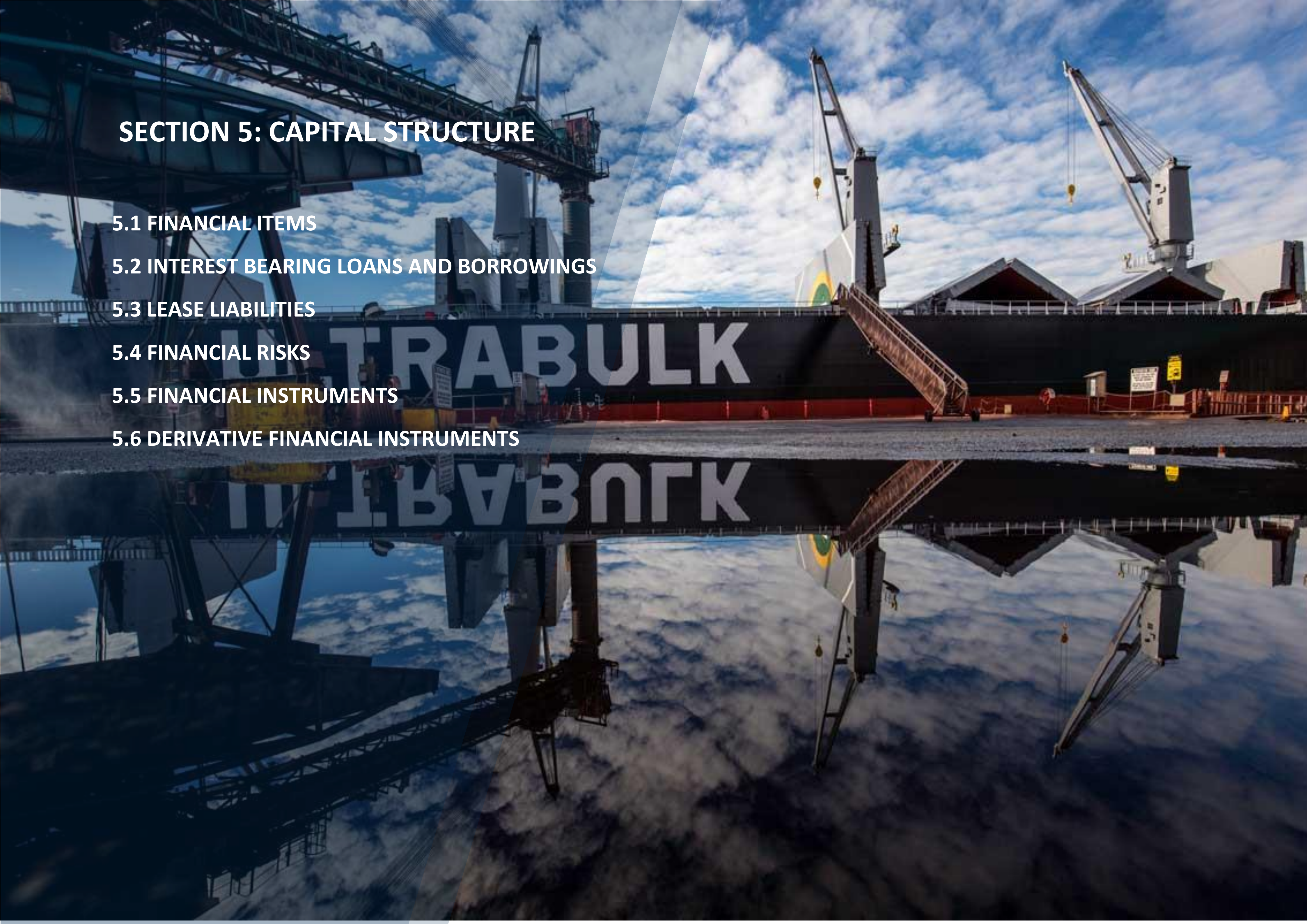
Contract liabilities

Contract liabilities relate to voyages which are not completed at 31 December. Contract liabilities are recognised when a sales transaction does not fulfil the criteria for revenue recognition but the customer has prepaid for the service delivery. If contract liabilities are beyond one year the contract liabilities are included in non-current liabilities.

USD thousands	2021	2020
Trade payables	63,984	25,428
Accruals and other payables	23,459	17,438
Contract liabilities	59,183	34,206
Trade and other payables	146,626	77,072
Payables to related parties	2,021	2,227
Payables to related parties	2,021	2,227

The contract liability balance at the beginning of the year was recognised as revenue during the reporting period. Outstanding performance obligations will be performed within one year.

Trade payables are non-interest bearing and are normally settled on 30 days terms. Other payables, including accrued expenses, are non-interest bearing and vary in payment terms.



SECTION 5: CAPITAL STRUCTURE

5.1 FINANCIAL ITEMS

§ ACCOUNTING POLICIES

Financial income and expenses comprise interest income and expense as well as exchange rate differences from transactions denominated in foreign currencies.

USD thousands	2021	2020
Interest income	495	912
Gain from modification of lease liabilities	-	3,467
Financial income	495	4,379
Interest expenses on loans	-628	-1,186
Interest expenses on lease liabilities	-11,210	-14,536
Other financial items, net	-243	-116
Financial expenses	-12,081	-15,838

5.2 INTEREST BEARING LOANS AND BORROWINGS

§ ACCOUNTING POLICIES

Loans are recognised at the time the loans are obtained in the amount of the proceeds after deduction of transaction costs. In subsequent periods, the loans are recognised at amortised costs.

		Carrying amount	
USD thousands	Type	2021	2020
Mortgages on vessels	Fixed	4,822	16,877
Mortgages on vessels	Floating	4,822	12,543
Interest bearing loans and borrowings		9,644	29,420
Non-current portion		-	18,175
Current portion		9,644	11,245
Interest bearing loans and borrowings		9,644	29,420

The remaining fixed-rate loan is fixed at an interest rate of 3.0% (2020: 3.0% - 3.1%).

The remaining floating-rate loan is entered with a fixed margin of 1.3% (2020: 1.3% - 2.1%) + USDLIBOR 6M. The average interest rate on the floating rate loan was 1.5% (2020: 3.2%).

The fair value of the fixed loans is not materially different from the carrying amount. The loan is subject to financial and operational covenants. Management assesses that Ultrabulk and the related company guarantor meet these covenants at 31 December 2021. The loan is secured by the one vessel which was classified as held for sale at the balance sheet date. The carrying amount of the vessel is USD 20.1 million.

5.3 LEASE LIABILITIES

§ ACCOUNTING POLICIES

Lease liabilities

At the commencement date of the lease, the Group recognises a lease liability which is measured at the present value of lease payments to be made over the lease term. The service fee included in the payments (non-lease component) are not included as part of the lease liabilities.

The lease term comprises the non-cancellable period with addition of periods covered by options to extend the lease if it is reasonably certain that the extension option will be exercised. This assessment is made on inception of the lease.

The lease payments include fixed payments and variable payments depending on an index or a rate. The lease payments do also include the exercise price of a purchase option if it is reasonably certain that it will be exercised.

In calculating the present value of lease payments, Ultrabulk uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease contracts for vessels have been entered into with a mutually interminable lease period. As a general rule, lease contracts include an option to renew for one additional year at a time for up to three years.

Some lease contracts includes customary option for extension of the lease period. The liability concerning the extension period is only included in lease liabilities if it is reasonably certain the extension period will be exercised.

5.3 LEASE LIABILITIES (CONTINUED)

The development in lease liabilities are explained in the table below:

USD thousands	2021	2020
Lease liabilities 1 January	337,591	381,374
Additions for the period	39,901	79,179
Remeasurements	26,609	1,231
Instalments made	-150,218	-124,193
Lease liabilities 31 December	253,883	337,591
Non-current portion	125,667	212,588
Current portion	128,216	125,003
Lease liabilities 31 December	253,883	337,591

Of the total lease liabilities USD 25.1 million (2020: USD 24.9 million) is related to flexible hire lease contracts. The flexible hire is basis the Baltic Exchange index and a change in the index of 10% will result in a 10% increase in the hire payment for flexible lease hire contracts.

Leases to which the Group is committed, but for which lease terms has not yet commenced have an undiscounted value of USD 36.5 million (2020: USD 48.0 million).

The total cash outflow from leases in 2021 were USD 868.0 million, (2020: USD 284.4 million) which includes short term leases.

Some lease agreements include a purchase option which is typically exercisable as from the end of the fifth year to the expiry of the period of renewal. The Group holds purchase options on approx. two thirds of its leases. Some of the purchase options are, however, shared with third parties which limits the potential gain from exercising such purchase options.

! ACCOUNTING ESTIMATES

Measurement of non-lease components

The Group has elected to separate lease and non-lease components for leases of time charter contracts on vessels. For these contracts, the estimated non-lease component (operating expenses) is excluded from the measurement of right-of-use assets and lease liabilities. Assessing the measurement of the non-lease component involves significant estimates. The measurement of the non-lease component takes several factors into consideration such as operating costs, aging of the vessels, vessel types, etc.

5.4 FINANCIAL AND BUSINESS RISKS

The market conditions for shipping activities are generally volatile and, as a consequence, the Group's results may vary from year to year. In addition, the Group is exposed to a number of financial risks arising from the Group's normal business activities.

Freight rates

The business model for an operator is to build a portfolio of vessels on one hand and a portfolio of cargoes on the other. Depending on the market expectations the Company can decide to be be long on cargoes (typically when expecting a decrease in freight rates) or long on vessels (typically when expecting an increase in freight rates).

Unexpected fluctuations in freight rates are the key factor affecting cash flows and the value of committed assets. The level of risk depends firstly on the level of such unexpected fluctuations and secondly on the size of the imbalance between the commitments on cargoes and commitments on vessels.

Counterparty risk

Just as fluctuations in freight rates can cause an imbalance in the Group's portfolio of vessels and cargos ("the book"), such imbalance can also arise if a counterparty is not able or willing to perform its obligations, for example due to the counterparty's solvency or liquidity. This is referred to as the counterparty risk and does typically arise in relation to:

- Contracts of Affreightment (cargo contract containing multiple cargoes, or "CoA")
- Time charter of vessels

The counterparty risk attached to CoAs is highly dependent on a counterparty's solvency and its ability and willingness to fulfil their obligations since a CoA is a commitment over a longer period of time. Typically, our counterparties operate within the commodities industry. Since we keep a balanced book our risk is usually related to vessels expected to perform the CoA, which is then exposed to the market instead.

The counterparty risk attached to time charters both when we take a vessel on timecharter from an owner and when we send out a vessel on timecharter to a charterer is that the counterparty may default and, as a result, the contract terminates early, which again can add to the imbalance of the book.. The other risk is that counterparties whom might have claims against the TC charterer or the Owner of the vessel, might turn their claim towards Ultrabulk, if the TC charterer or owner defaults.

The risk profile of counterparties is determined by the counterparty's solvency and the type of legal contract upon which the deal is based. Counterparty vetting is a significant part of the Group's risk management procedures. Consequently, approvals of counterparties are carried out at senior management level only, and the risk evaluation involves the following elements:

- Positive credit rating report from a based maritime credit rating bureau.
- Positive industry references.
- Satisfactory performance on existing commitments, if any, between Ultrabulk and the counterpart.
- Positive reference from the fuel purchase market.
- Approval of counterparties may vary from one cargo to multiple year contracts.

Single cargo contracts typically do not give rise to a significant counterparty risk as it is industry standard that freight payment is made within very few days of departing from the loading port. It is also an industry standard that the vessel owner has a lien in the cargo, should the freight payment not have been paid prior to the arrival at the discharge port. The counterparty risk on these types of deals is therefore limited.

Forward freight agreements (FFA)

FFAs are utilised both as a hedging instrument (to reduce exposure from an imbalanced portfolio) and economic trading. The Group utilises risk management systems in order to control the market value of all open positions. Based on these risk systems, the Group is able to monitor market positions on a daily basis.

Derivative financial instruments are only entered with highly rated clearing houses, as well as with related companies, which imply that the credit exposures for these transactions are expected to be neglible, therefore the main risk related to FFAs are the cash risk related to collateral on open positions should the market change significantly.

5.4 FINANCIAL RISKS AND BUSINESS RISKS (CONTINUED)

Fuel prices

Some Contracts of Affreightment (cargo contract containing multiple cargoes, or "CoA") and single cargoes, are based on fixed freight rates which expose the Company to fluctuations on fuel prices. The Group seeks to reduce the exposure on fluctuating fuel prices through compensation clauses in contracts with clients. Where this is not possible, Ultrabulk uses hedging derivatives to reduce bunker exposure.

Liquidity exposure

It is the Group's objective to maintain a solid cash balance which is sufficient to cover short-term fluctuations in working capital as well as security deposits with clearing houses.

Environment

The majority of the vessels operated by the Group are chartered whereas the majority of risks arising from environmental matters rest with the owners of the vessels. There are, however, situations in which the Group may become liable for certain environmental impacts. The Group is insured against risks arising from these types of incidents.

Piracy

The risk of piracy when navigating in the Gulf of Guinea (West Africa) has increased substantially over the past year. The risks associated with transiting the Gulf of Aden area has on the other hand fortunately decreased a lot. The Company is constantly following the recommendations made by the UN subsidiary International Maritime Organisation (IMO), and the recommendations made by the underwriters as well as "Best Management Practices (BMP5)" – this includes having a contingency plan for all vessels calling the area. We furthermore engage with the Danish Naval representation in the Gulf of Guinea, by exchanging details of our fleet in the area.

5.5 FINANCIAL INSTRUMENTS BY CATEGORY

Carrying amount and fair value of financial items by class of financial assets and liabilities

On the next page is a breakdown of the financial assets into categories as defined in IFRS 9. The fair value is estimated using appropriate market information and valuation methodologies. The carrying amount of cash and cash equivalents and loan payables to bank are a reasonable estimate of their fair value.

Fair value for derivatives has been calculated by discounting the expected future cash flows at relevant interest rates. Judgement is required to develop estimates of fair value. Hence, the estimates provided herein are only indicative of the amounts that could be realised in the market.

The contractual cash flows are non-discounted and include all liabilities according to contracts. The USD values of future interests and principal loans in foreign currencies are calculated based on the rates at the balance sheet date.

Categories of financial instruments

The fair value of financial assets and financial liabilities measured at amortized cost is approximately equal to the carrying amount.

Financial instruments measured at fair value are divided in accordance with the following accounting hierarchy:

- Level 1: observable market prices of identical instruments.

- Level 2: valuation models primarily based on observable prices or trading prices of comparable instruments

- Level 3: valuation models primarily based on non-observable prices.

The fair value of all derivative financial instruments, forward exchange contracts and other derivative financial instruments (commodity instruments), is considered fair value measurement at level 2 as the fair value is based on observable pricing information.

5.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Tables with carrying amount of financial items by class of financial assets and liabilities

31 December 2021

USD thousands	0-1 Year	1-5 Years	After 5 Years	Contractual cash flow	Carrying amount
Recognised at amortised cost					
Financial institutions	10,011	-	-	**10,011**	**9,644**
Trade and other payables	146,626	-	-	**146,626**	**146,626**
Payables to- and loans from related companies	2,021	-	-	**2,021**	**2,021**
Lease liabilities	127,875	137,537	-	**265,412**	**253,883**
Total	286,533	137,537	-	424,070	412,174
Recognised at fair value					
Derivative financial instruments	15,569	948	-	**16,517**	**16,517**
Total	15,569	948	-	16,517	16,517
Total financial liabilities	302,102	138,485	-	440,587	428,691
Recognised at amortised cost					
Cash and restricted cash	92,461	-	-	**92,461**	92,461
Trade and other receivables	114,697	-	-	**114,697**	114,697
Receivables from subleases	12,297	1,242	-	**13,539**	13,539
Prepayments	48,770	-	-	**48,770**	48,770
Receivables from- and loans to related companies	46,143	5,395	-	**51,538**	51,538
Total	314,368	6,637	-	321,005	321,005
Recognised at fair value					
Derivative financial instruments	4,798	1,341	-	6,139	6,139
Total	4,798	1,341	-	6,139	6,139
Total financial assets	319,166	7,978	-	327,144	327,144

31 December 2020

USD thousands	0-1 Year	1-5 Years	After 5 Years	Contractual cash flow	Carrying amount
Recognised at amortised cost					
Financial institutions	11,629	18,203	3,539	**33,371**	29,420
Trade and other payables	77,072	-	-	**77,072**	77,072
Payables to- and loans from related companies	2,227	-	-	**2,227**	2,227
Lease liabilities	136,859	224,343	1,816	**363,018**	337,591
Total	227,787	242,546	5,355	475,688	446,310
Recognised at fair value					
Derivative financial instruments	2,273	3,063	-	**5,336**	5,336
Total	2,273	3,063	-	5,336	5,336
Total financial liabilities	230,060	245,609	5,355	481,024	451,646
Recognised at amortised cost					
Cash and restricted cash	76,746	-	-	**76,746**	76,746
Trade and other receivables	60,455	-	-	**60,455**	60,455
Receivables from subleases	14,013	14,213	-	**28,226**	26,097
Prepayments	20,979	-	-	**20,979**	20,979
Receivables from- and loans to related companies	1,805	4,837	-	**6,642**	6,642
Total	173,998	19,050	-	193,048	190,919
Recognised at fair value					
Derivative financial instruments	3,341	188	-	**3,529**	3,529
Total	3,341	188	-	3,529	3,529
Total financial assets	177,339	19,238		196,577	194,448

5.6 DERIVATIVE FINANCIAL INSTRUMENTS

§ ACCOUNTING POLICIES

The Group uses derivative financial instruments such as forward currency contracts, bunker hedges and FFAs to hedge part of risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivate contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of bunker hedge and the fair value of FFAs are determined by reference to market values for similar instruments.

For the purpose of accounting, hedges are classified as:

- fair value hedges when hedging the exposure to change in fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedge when hedging exposure to variability in cash flow that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At time of entering into a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply for hedge accounting and the risk management objectives and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness requirements.

The criteria for classifying a derivative as a hedging instrument for accounting purposes are as follows:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from the economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged items that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged item attributable to the hedged risk is recognised in the income statement. The fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting stated above.

Cash flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized in other comprehensive income. The ineffective part of the hedging instrument is recognised directly in the income statement. Gains and losses that are recognised in other comprehensive income are taken to the income statement in the same period or periods as the cash flow which comprises the hedged item is recognised in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognised in the balance sheet. If the cash flow hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative gain or loss of the hedging instrument recognised in other comprehensive income remains separately recognised in other comprehensive income until the forecast transaction occurs. If the cash flow hedged transaction is no longer expected to occur, any previously accumulated gain or loss of the hedging instrument that has been recognised in other comprehensive income will be carried to profit or loss. Derivatives not accounted for as hedging instruments are classified as financial assets at fair value through profit or loss and measured at fair value.

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

§ ACCOUNTING POLICIES (CONT.)

Economic trading

Gains and losses, realised or unrealised, from derivatives used for economic trading are recognised in the income statement.

Determination of fair value

The fair value of financial assets and liabilities is measured on the basis of quoted market prices of financial instruments traded in an active market, If an active market exists, fair value is based on the most recent observed market price at the end of the reporting period.

If an active market does not exist, the fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure fair value.

For bunker contracts the price is based on the prices from Platts Bunkerwire. The value of FFAs is assessed on basis of daily recorded prices from the Baltic Exchange.

Bunker hedges

Ultrabulk has entered into contracts in order to hedge future bunker expenses. The contracts are accounted for as cash flow hedges, when the criteria hedge accounting are met.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA) or single cargoes, as part of Ultrabulk's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. 78% of the nominal value is realised within 1 year and 10% is realised within 1-2 years. The nominal value as at 31.12.2021 is USD 62.3 million and a drop in bunker prices with 10% will have a negative impact of USD 6 million on equity. Ultrabulk has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness can arise from differences in timing of the cash flows as well as changes to the forecasted amounts. No ineffectiveness has been recognised.

FFA hedges

Ultrabulk has entered into contracts in order to hedge future cargo and vessel commitments. The contracts are accounted for as cash flow hedges, when the criterias are in compliance with the criteria for hedge accounting. The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of Ultrabulk's risk management. 67% of the nominal value is realised within 1 year and 18% is realised within 1-2 years. The nominal value as at 31.12.2021 is USD 74.7 million and a drop in Baltic Dry rates with 10% will have a positive impact of USD 7 million on equity.

Ultrabulk has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness can arise from price difference between the Baltic Dry and the actual freight rates and difference in number of days and timing of cash flows. No ineffectiveness has been recognised.

Economic trading in FFAs

In line with its freight trading approach, Ultrabulk has entered contracts FFAs for the purpose of economic trading. Changes fair value of contracts classified as economic trading are recognised in profit or loss. Strict control systems are in place to monitor developments and ensuring that risk is constrained at acceptable pre-defined levels, which are duly aligned with our strategy and proportionate with our financial strength.

The nominal value of FFAs classified as economic trading are USD 3.0 million and a drop in Baltic Dry rates with 10% will be insifignicant to profit or loss as well as equity.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD -11.6 million (31 December 2020: USD -1.7 million)

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Overview of derivative financial instruments at year-end

31 December 2021

USD millions	Nominal value	Net Sell Days/MT	Duration Months	Recognised on equity	Fair value
Hedge accounting applied					
Interest rate swaps	-	-	-	-	-
FX hedges (USD/DKK)	6.7	-	1-12	-0.1	-0.1
FFAs (Days)	74.7	4.260	1-36	-15.8	-15.8
Bunker hedges (MT)	62.3	146.257	1-60	4.3	4.3
Hedge accounting not applied					
FFAs (Days)	3,0	135	1-24	-	1.2
Net fair value of derivative instruments					-10.4

USD millions	Fair value
Presentation in the Consolidated Financial Statement as:	
Derivative financial instruments, non-current assets	1.3
Derivative financial instruments, current asset	4.8
Derivative financial instruments, non-current liabilities	-0.9
Derivative financial instruments, current liabilities	-15.6
Net fair value of derivative financial instruments	-10.4

31 December 2020

USD millions	Nominal value	Net Sell Days/MT	Duration Months	Recognised on equity	Fair value
Hedge accounting applied					
Interest rate swaps	2.2	-	1-76	-0.1	-0.1
FX hedges (USD/DKK)	6.3	-	1-12	0.2	0.2
FFAs (Days)	34.7	5.745	1-24	-0.3	-0.3
Bunker hedges (MT)	40.5	163.348	1-72	-1.5	-1.5
Hedge accounting not applied					
FFAs (Days)	6.6	270	1-12	-	-0.1
Net fair value of derivative instruments					-1.8

USD millions	Fair value
Presentation in the Consolidated Financial Statement as:	
Derivative financial instruments, non-current assets	0.2
Derivative financial instruments, current asset	3.3
Derivative financial instruments, non-current liabilities	-3.1
Derivative financial instruments, current liabilities	-2.3
Net fair value of derivative financial instruments	-1.8

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Net amount recognised in Other Comprehensive Income

USD millions	2021	2020
Effective portion of changes in fair value from:		
FX hedges	-0.4	0.2
Interest rate swaps	0.1	0.1
Bunker hedges	18.1	-7.5
FFA hedges	-57.7	-0.1
Amounts reclassified to profit and loss:		
FX hedges reclassified to financial items	0.1	-0,1
Interest rate swaps reclassified to financial items	0.0	0.0
Bunker hedges reclassified to voyage related expenses	-12.3	13,0
FFA hedges reclassified to revenue	49.2	-2,7
FFA hedges reclassified to voyage related expenses	-7.0	-
Net amount recognised in Other Comprehensive Income	-9.9	2.9

SECTION 6: OTHER NOTES

6.1 REMUNERATION OF MANAGEMENT

Remuneration of Board of Directors

The members of the Board of Directors do not receive any fees or incentives from the Ultrabulk Group.

Remuneration of Executive Management

During the year, the former CEO of the Group stepped down from Executive Management. At the same time, two new members of Executive Management were appointed.

The Executive Management does now comprise of four members, of which three members do not receive any fees or incentives directly from the Ultrabulk Group. These three members are remunerated by related companies outside the Ultrabulk Group. Ultrabulk pays a fee of USD 73 thousands for their services as executive management. The fee is recognised in “Other external expenses” in the Profit or Loss. The fourth member is remunerated directly by Ultrabulk A/S. Consequently, in 2021, the remuneration included in staff expenses comprise only the remuneration paid to one current member of Executive Management as well as remuneration paid to one former CEO.

USD thousands	2021	2020
Fixed salaries	593	630
Pensions – defined contribution plans	30	29
Incentive payments (cash based)	913	-
Total remuneration included in Staff expenses	1,536	659
Remuneration included in other external expenses	73	-
Total remuneration for the Executive Management	1,609	659

Members of the Executive Management are subject to a notice of up to 18 months and can resign from Management with a notice of up to 9 months. Senior Management and a number of employees are covered by a cash-based incentive scheme.

6.2 FEE TO THE STATUTORY AUDITORS

The total fee expensed in the year for statutory auditors breaks down as follows:

USD thousands	2021	2020
Statutory audit	307	197
Other assurance engagements	-	-
Tax assurance services	69	65
Other services	20	35
Fees to statutory auditors	396	297

6.3 CONTINGENT LIABILITIES & COMMITMENTS

§ ACCOUNTING POLICIES

Provisions

Provisions are recognised when Ultrabulk has a present obligation (legal or constructive) as a result of a past event, it is probable that the obligation has to be settled and that a reliable estimate of the obligation can be made.

Contingent liabilities

Ultrabulk is engaged in certain litigation proceedings. In the opinion of management, settlement or continuation of these proceedings are not expected to have a material effect on Ultrabulk A/S financial position, profit or cash flow.

The Company is jointly taxed with other companies in the Ultranav Denmark ApS Group. The companies are jointly and unlimited liable for Danish corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. Any subsequent corrections of joint taxation of income or withholding taxes on dividends, etc, could lead to Company's liability constituting a larger amount.

The Group's Danish companies are jointly and severally liable for the joint registration of VAT.

Guarantees

Ultrabulk has issued guarantees for loans to joint ventures. The table below summarises guarantees at year-end:

USD thousands	2021	2020
Guarantees		
Ultrabulk has issued guarantees for loans to joint ventures	22,800	25,250
Total	22,800	25,250

Short term leases and low value leases

The Group has recognized right-of-use assets in line with IFRS 16, except for short term and low value leases. The table below summarises future commitments on short term and low value leases which are entered at year-end:

USD thousands	2021	2020
Short term leases and low value leases		
Within one year	123,742	15,820
Total	123,742	15,820

COAs and Time Charter commitments as service provider

At 31 December, the Group had entered into COAs and time charters with customers amounting to:

USD thousands	2021	2020
COAs and Time Charter commitments as service provider		
Within one year	230,391	140,742
Between 1 – 5 years	224,037	267,291
More than 5 years	6,640	47,647
Total	461,068	455,680

6.4 OTHER NON-OPERATING CASH ITEMS (CASH-FLOW)

USD thousands	2021	2020
Gain on sale of vessels, plant, and equipment	-3,000	-4,252
Depreciation and impairment loss	139,912	119,975
Share of gain/loss in associated companies	375	645
Share of gain/loss in joint venture	-48	7,088
Interest expenses on loans	628	1,047
Interest expenses on lease liabilities	11,210	14,536
Modification of lease liabilities	-	-3,467
Net forward contract activity	-158	79
Other non-cash operating items	-1,305	643
Total	147,614	136,294

6.5 CHANGE IN WORKING CAPITAL (CASH-FLOW)

USD thousands	2021	2020
Change in receivables	-80,897	-7,288
Change in inventories	-17,273	9,423
Change in liabilities	69,348	-563
Total	-28,822	1,572

6.6 CHANGES IN LIABILITIES (CASH FLOW)

Changes in liabilities arising from finance activities

2021

USD thousands	1 January	Cash flow	Other	31 December
Current interest-bearing loans and borrowings	11,245	-19,979	18,378	9,644
Lease liabilities	337,591	-150,218	66,510	253,883
Non-current interest-bearing loans and borrowings	18,175	-	-18,175	-
Total liabilities from financing activities	367,011	-170,197	66,713	263,527

2020

USD thousands	1 January	Cash flow	Other	31 December
Current interest-bearing loans and borrowings	3,699	-3,699	11,245	11,245
Lease liabilities	381,374	-124,193	80,410	337,591
Non-current interest-bearing loans and borrowings	28,486	-	-10,311	18,175
Total liabilities from financing activities	413,559	-127,892	81,344	367,011

The category ‘Other’ comprise primarily of additions and remeasurements of lease liabilities as well as transfers between non-current and current portions of loans. Reference is made to note 5.3 – Lease liabilities.

6.7 RELATED PARTY DISCLOSURES

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Ultranav Denmark ApS, Smakkedalen 6, 2820 Gentofte, Denmark.

The Consolidated Financial Statements of Ultranav Denmark ApS is available at the Company's address. The ultimate holding company of Ultrabulk A/S is Naviera Ultranav Dos Limitada, Av, El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago Chile.

Transactions with related parties

The table below summarises transactions made in the financial year and amounts owed at year-end:

	Sales/(Purchases)		Amounts owed by/(to)	
USD thousands	2021	2020	2021	2020
Related companies				
Charter hire	20,434	-	-	-
Management fee income	100	-	-	-
Management fee expense	-4,783	-2,000	-	-
Loans & interests	78	-	45,078	-
Other receivables and payables	-	-	-1,795	-596
Joint Ventures and Associates				
Charter hire	-20,962	-15,492	-169	-315
Guarantees	-	-	22,800	25,520
Loans	188	187	6,403	5,450

6.8 SHARE CAPITAL

The share capital comprises of shares with a nominal value of DKK 1 each. All shares rank equally. No restrictions have been imposed on negotiability of the shares or on voting rights. All issued shares are fully paid.

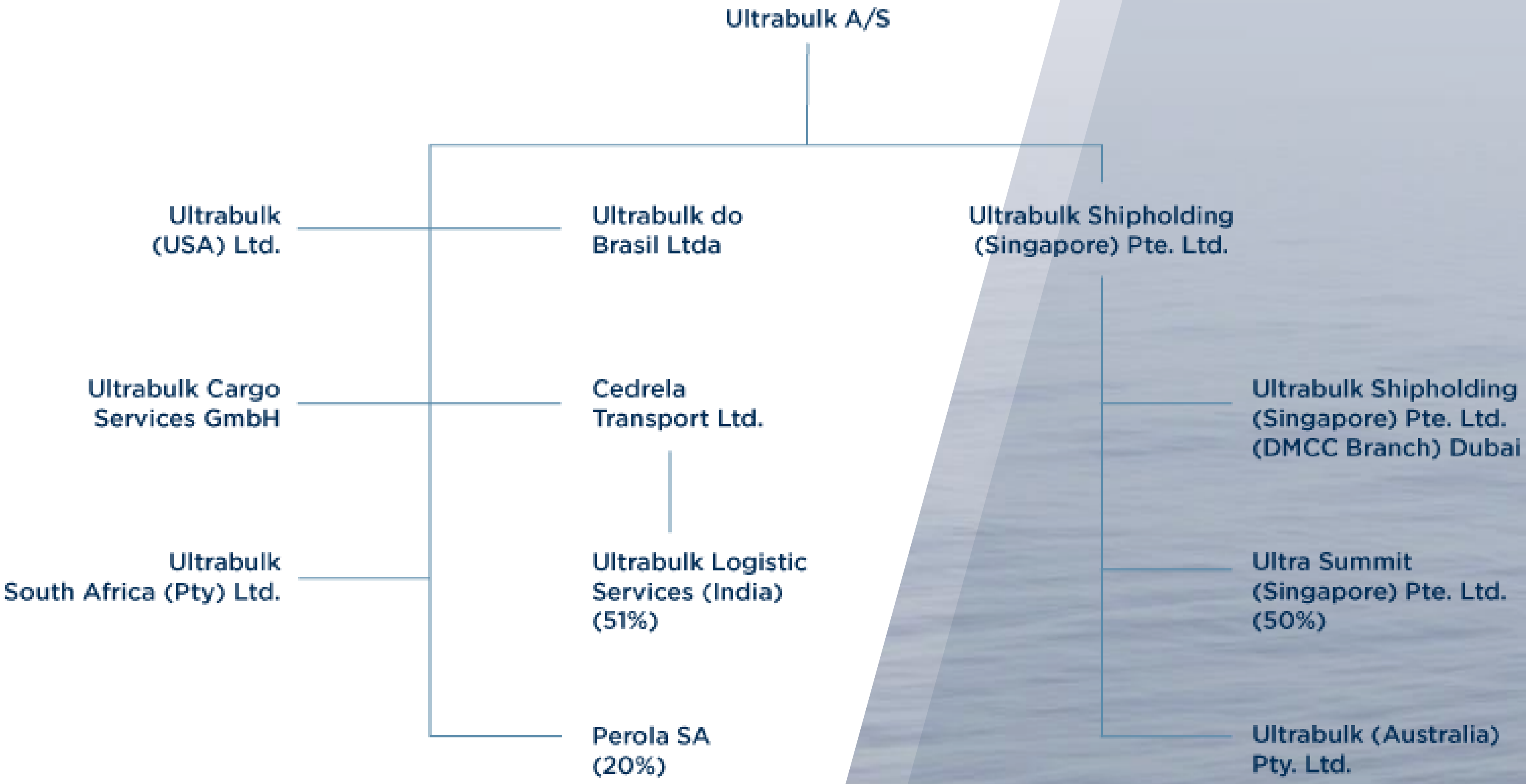
The share capital have not been subject to changes in the past five years.

6.9 EVENTS AFTER THE BALANCE SHEET DATE

Disclosure of events after the balance sheet date

No events have occurred after the balance sheet date that materially affects the financial position of the Group.

6.10 GROUP STRUCTURE



PARENT COMPANY FINANCIAL STATEMENTS

PROFIT OR LOSS

USD thousands	Note	2021	2020
Revenue	2	1,011,448	567,046
Vessel operating costs and voyage related expenses		-942,036	-575,439
Gross profit (Net earnings from shipping activities)		69,412	-8,393
Other external expenses	3	-13,729	-10,953
Staff costs	4	-13,030	-6,986
Operating profit before depreciation and impairment loss (EBITDA)		42,653	-26,332
Profit from sale of tangible assets		-	50
Depreciation	6	-734	-787
Operating profit (EBIT)		41,919	-27,069
Share of subsidiaries' profit after tax	7	33,707	8,734
Share of associates' profit after tax	8	-375	-645
Other financial items, net		1	976
Profit before tax		75,252	-18,004
Tax	5	-1,106	-1,730
Net result		**74,146**	**-19,734**

Proposal for the distribution of net result:		
Reserve for net revaluation according to equity method	33,332	8,734
Retained earnings	-4,186	-28,468
Proposed dividend	45,000	-
Net result	**74,146**	**-19,734**

BALANCE SHEET

ASSETS

USD thousands	Note	2021	2020
Fixtures, fittings, and equipment	6	902	628
Tangible assets		902	628
Investments in subsidiaries	7	95,597	95,715
Investments in associates	8	375	750
Derivative financial instruments	15	1,342	173
Deposit		131	145
Financial assets, non-current		97,445	96,783
Total non-current assets		98,347	97,411
Inventories		15,785	10,449
Trade and other receivables	9	57,044	35,585
Receivables from related companies		1,449	1,620
Loans to related companies		45,078	-
Prepayments		23,897	15,365
Derivative financial instruments	15	4,682	3,243
Cash and short-term deposits, including restricted cash	16	91,013	41,304
Total current assets		238,948	107,565
TOTAL ASSETS		**337,295**	**204,977**

EQUITY AND LIABILITIES

USD thousands	Note	2021	2020
Share capital		5,134	5,134
Revaluation reserve according to the equity method		33,024	33,476
Cash flow hedge reserves		-11,714	-1,730
Retained earnings		140,760	110,955
Proposed dividend		45,000	0
Total equity	10	212,204	147,835
Derivative financial instruments	15	948	3,063
Total non-current liabilities		948	3,063
Trade and other payables	11	69,046	36,812
Payables to related companies		38,277	13,777
Derivative financial instruments	15	15,569	1,892
Income tax payable		1,251	1,598
Total current liabilities		124,143	54,079
Total liabilities		125,091	57,142
TOTAL EQUITY AND LIABILITIES		**337,295**	**204,977**

STATEMENT OF CHANGES IN EQUITY

USD thousands	Share capital	Cash flow hedge reserve	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total equity
Equity as 1 January 2021	**5,134**	**-1,730**	**33,476**	**110,955**	**-**	**147,835**
Net result	-	-	33,332	-4,186	45,000	**74,146**
Dividend paid out	-	-	-33,900	33,900	-	-
Fair value adjustments	-	-10,252	384	-	-	**-9,868**
Other adjustments	-	268	-268	91	-	**91**
Equity as 31 December 2021	**5,134**	**-11,714**	**33,024**	**140,760**	**45,000**	**212,204**

USD thousands	Share capital	Cash flow hedge reserve	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total Equity
Equity as 1 January 2020	**5,134**	**-4,405**	**24,260**	**139,166**	**10,000**	**174,155**
Net result	-	-	8,734	-28,468	-	**-19,734**
Dividend paid out	-	-	-	-	-10,000	**-10,000**
Fair value adjustments	-	2,786	79	-	-	**2,865**
Other adjustments	-	-111	403	257	-	**549**
Equity as 31 December 2020	**5,134**	**-1,730**	**33,476**	**110,955**	**-**	**147,835**

1 BASIS OF REPORTING

§ GENERAL ACCOUNTING POLICIES

The Parent Company Financial Statements of Ultrabulk A/S have been prepared pursuant to the provisions for large class C enterprises of the Danish Financial Statements Act.

The accounting policies of The Parent Company Financial Statements are unchanged compared to last year.

The Company's business is primarily based on the US Dollar. All income in the form of freight income is in US Dollar, and most costs are in US Dollars as well. Based on this, the Company has designated the US Dollar as its functional and reporting currency. Consequently, all amounts are recognised in US Dollar.

The Consolidated Financial Statements have been prepared in accordance with IFRS. The accounting policies applied for the Consolidated Financial Statements regarding recognition and measurement have also been applied for the Parent Company with the below exemptions, as well as recognition and measurement of investment in subsidiaries as described in note 7.

With reference to the provisions of the Danish Financial Statements Act §86 para. 4., the Company has refrained from preparing a cash flow statement in the Parent Company Financial Statements. For this information, see the Consolidated Financial Statements for Ultrabulk A/S.

Leases

IFRS 16 has not been applied in the Parent Company Financial Statements. All leases are classified as operational leases. The payments (time-charter hire) are recognised as an expense and are charged to the profit or loss on a straight line basis over the term for the lease.

NOTE 2 – REVENUE

USD thousands	2021	2020
Panamax	314,118	184,681
Supramax	511,936	289,597
Handysize	7,108	11,102
MPP, Parcel Services and African Services	178,286	81,666
Revenue by type of vessel	1,011,448	567,046

USD thousands	2021	2020
Income from freight	683,598	401,842
Income from Time-Charter	327,850	165,204
Revenue by type of contract	1,011,448	567,046

NOTE 3 – FEE TO THE STATUTORY AUDITOR

In accordance with section 96 para 3 of the Danish Financial Statements Act, the Company has not disclosed the remuneration to the auditors for the parent company. Please refer to note 6.2 in the Consolidated Financial Statements.

NOTE 4 – STAFF COSTS

USD thousands	2021	2020
Salaries	12,245	6,279
Pensions – defined contribution plan	559	506
Other staff costs	226	201
Total	13,030	6,986
Average number of employees	52	51

With regards of remunuration of management, please refer to note 6.1 in the Consolidated Financial Statements.

NOTE 5 – TAX

USD thousands	2021	2020
Current tax on profit for the year	-1,251	-1,502
Deferred tax on profit for the year	-	-
Tax on profit for the year	-1,251	-1,502
Adjustments related to previous years – current tax	145	-228
Adjustments related to previous years – deferred tax	-	-
Tax in the income statement	-1,106	-1,730

NOTE 6 – FIXTURES, FITTINGS AND EQUIPMENT

USD thousands	2021	2020
Cost at 1 January	5,663	5,130
Additions for the year	1,008	742
Disposals	-	-209
Cost at 31 December	6,671	5,663
Depreciation at 1 January, accumulated	-5,035	-4,457
Depreciation for the year	-734	-787
Depreciation on disposals	-	209
Depreciations at 31 December, accumulated	-5,769	-5,035
Carrying amount at 31 December	902	628

Expected useful life:	2-10 years	2-10 years

NOTE 7 – INVESTMENTS IN SUBSIDIARIES

§ ACCOUNTING POLICIES

Earnings from investments in subsidiaries and associates

In the Parent Company's profit or loss, the proportional share of earnings is recognised under the items "Share of subsidiaries' profit after tax" and "Share of associates' profit after tax".

Investments in subsidiaries and associates

Investments in subsidiaries and associates are recognised and measured according to the equity method. In the balance sheet under the items "Investments in subsidiaries" and "Investments in associates", the proportional ownership share of the companies' net asset value is recognised.

The total net revaluation of investments in subsidiaries and associates is transferred through the distribution of profits to "Reserve for net revaluation according to equity method" under equity. The reserve is reduced by dividend payments to the Parent Company and is adjusted with other changes in equity in subsidiaries and associates.

Subsidiaries and associates with negative net asset value are recognised if such a present obligation for this purpose exists.

USD thousands	2021	2020
Cost at 1 January	16,958	16,958
Cost at 31 December	16,958	16,958
Value adjustment at 1 January	77,754	68,538
Share of result for the year	33,707	8,734
Dividends	-33,900	-
Change in equity in subsidiaries	384	79
Other changes	-	403
Value adjustment 31 December	77,945	77,754
Carrying amount	94,903	94,712
The carrying amount can be specified as follows:		
Investment in subsidiaries	95,597	95,715
Negative equity in subsidiaries, deducted intercompany receivables	-694	-1,003
Carrying amount	94,903	94,712

Direct subsidiaries	Ownership	Ownership
Ultrabulk Shipholding Singapore Pte. Ltd	100%	100%
Ultrabulk Cargo Services GmbH	100%	100%
Ultrabulk (USA) Ltd.	100%	100%
Ultrabulk do Brazil Ltda.	100%	100%
Ultrabulk South Africa (Pty) Ltd.	100%	100%
Cedrela Transport Ltd.	100%	100%

Reference is made to the group structure in note 6.10 of the Consolidated Financial Statements.

NOTE 8 – INVESTMENTS IN ASSOCIATES

USD thousands	2021	2020
Accumulated costs at 1 January	1,408	1,408
Accumulated costs at 31 December	1,408	1,408
Accumulated value adjustment at 1 January	-658	-658
Impairment	-375	-
Accumulated value adjustment at 31 December	-1,033	-658
Carrying amount to 31 December	375	750

The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	375	750

NOTE 9 – TRADE AND OTHER RECEIVABLES

USD thousands	2021	2020
Customers (trade receivables)	43,965	24,352
Other receivables	13,079	11,233
Total	57,044	35,585

NOTE 10 – EQUITY AND ALLOCATION OF RESULT

Share capital

With regards to share capital, please refer to note 6.8 of the Consolidated Financial Statements.

Allocation of result

The targets for the capital structure of Ultrabulk A/S is determined and assessed for the Group as a whole, for which reason no operational goal or policies are set for the Parent Company.

NOTE 11 – TRADE AND OTHER PAYABLES

USD thousands	2021	2020
Trade payables	25,801	13,706
Accruals and other payables	11,711	8,957
Deferred income	31,534	14,149
Total	69,046	36,812

NOTE 12 – CONTINGENT LIABILITIES

USD thousands	2021	2020
Guarantees		
Ultrabulk A/S Has issued guarantees for loans to joint venture and associated company	22,800	25,250
Ultrabulk A/S has issued guarantees for time charter hires to subsidiaries	369,047	349,463
Total	391,847	374,713

Contingent liabilities

Ultrabulk is engaged in certain litigation proceedings. In the opinion of management, settlement or continuation of these proceedings are not expected to have a material effect on Ultrabulk A/S financial position, operating profit or cash flow.

The Company is jointly taxed with other companies in the Ultranav Denmark ApS Group. The companies are jointly and unlimited liable for Danish corporation tax and withholding taxes on dividends, interest and royalties in the joint taxation. Any subsequent corrections of joint taxation of income or withholding taxes on dividends, etc, could lead to Company's liability constituting a larger amount.

The Group's Danish companies are jointly and severally liable for the joint registration of VAT.

NOTE 13 – OPERATING LEASE LIABILITIES AND COAs COMMITMENTS

Lease agreements have been entered into with a mutually interminable lease period up to 7 years. As a general rule, leases include an option to renew for one additional year at a time for up to three years. Some of the lease agreements include a purchase option, exercisable as from the end of the fifth year to the expiry of the period of renewal. Exercise of the purchase option on the individual vessels is based on an individual assessment. The lease liabilities are assessed at nominal amount.

The Company has purchase options on operational leases. However the majority of such purchase options are partly shared.

USD thousands	2021	2020
Operating leases		
Within one year	157,782	169,448
Between 1 – 5 years	92,665	170,117
More than 5 years	-	-
Total	250,447	339,565

USD thousands	2021	2020
COAs and Time Charter commitments as service provider		
Within one year	109,252	82,893
Between 1 – 5 years	214,603	224,538
More than 5 years	6,640	47,647
Total	330,495	355,078

NOTE 14 – FINANCIAL INSTRUMENTS

Reference is made to note 5.6 in the Consolidated Financial Statements.

Bunker hedges

Ultrabulk has entered into contracts in order to hedge future bunker expenses. The contracts are accounted for as cash flow hedges, when the criteria hedge accounting are met.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA) or single cargoes, as part of Ultrabulk's risk management. The bunker hedges cover the bunker expenses in connection with the CoA and the duration of the bunker hedge is therefore similar to the duration of the CoA. 78% of the nominal value is realised within 1 year and 10% is realised within 1-2 years. The nominal value as at 31.12.2021 is USD 62.3 million and a drop in bunker prices with 10% will have a negative impact of USD 6 million on equity. Ultrabulk has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness can arise from differences in timing of the cash flows as well as changes to the forecasted amounts. No ineffectiveness has been recognised.

FFA hedges

Ultrabulk has entered into contracts in order to hedge future cargo and vessel commitments. The contracts are accounted for as cash flow hedges, when the criterias are in compliance with the criteria for hedge accounting. The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of Ultrabulk's risk management. 67% of the nominal value is realised within 1 year and 18% is realised within 1-2 years. The nominal value as at 31.12.2021 is USD 74.7 million and a drop in Baltic Dry rates with 10% will have a positive impact of USD 7 million on equity.

Ultrabulk has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness can arise from price difference between the Baltic Dry and the actual freight rates and difference in number of days and timing of cash flows. No ineffectiveness has been recognised.

Economic trading in FFAs

In line with its freight trading approach, Ultrabulk has entered contracts FFAs for the purpose of economic trading. Changes fair value of contracts classified as economic trading are recognised in profit or loss. Strict control systems are in place to monitor developments and ensuring that risk is constrained at acceptable pre-defined levels, which are duly aligned with our strategy and proportionate with our financial strength.

The nominal value of FFAs classified as economic trading are USD 3.0 million and a drop in Baltic Dry rates with 10% will be insifignicant to profit or loss as well as equity.

NOTE 15 – RELATED PARTY TRANSACTION

Reference is made to note 6.7 in the consolidated financial statements, for related party transactions with other than wholly owned subsidiaries of Ultrabulk A/S

In accordance with section 98c(3) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions with its wholly owned subsidiaries.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Ultranav Denmark ApS, Smakkedalen 6, 2820 Gentofte, Denmark.

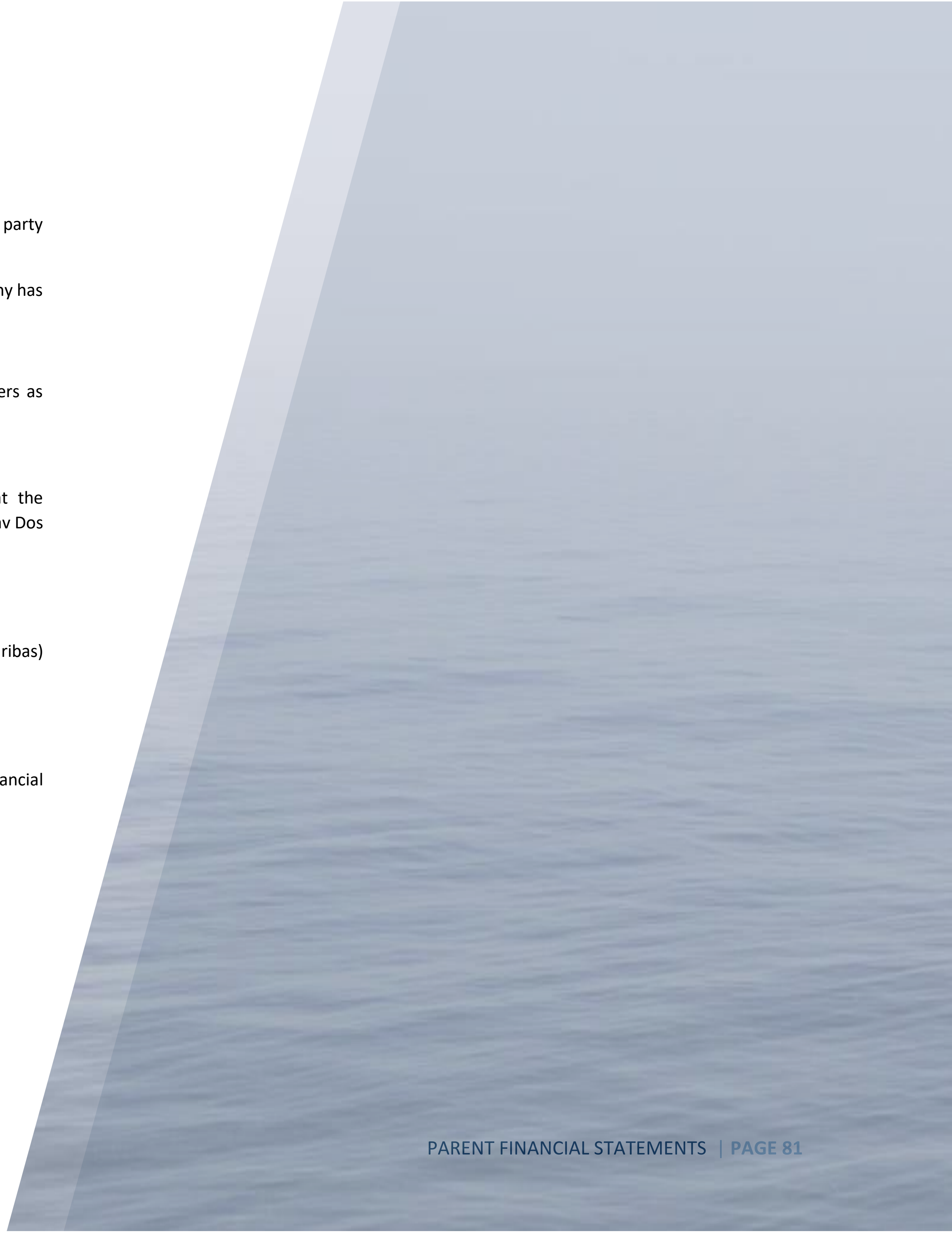
The Consolidated Financial Statements of Ultranav Denmark ApS is available at the Company's address. The ultimate holding company of Ultrabulk A/S is Naviera Ultranav Dos Limitada, Av, El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago Chile.

NOTE 16 – RESTRICTED CASH

Restricted cash in terms of deposits in favor of clearinghouses (Macquarie and BNP Paribas) consist of USD 31.1 million (USD 5.1 million).

NOTE 17 – SUBSEQUENT EVENTS

For subsequent events, reference is made to note 6.9 in the Consolidated Financial Statements.



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