



2020

Annual Report Ultrabulk A/S

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



Approved on the annual general meeting 30 March 2021

[Signature]
Chairman of the meeting

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ABOUT ULTRABULK

Ultrabulk is a leading global dry bulk operator, servicing customers within the Panamax, Supramax, Handy and MPP segments. The core element of the business model remains a strong focus on customer relations through long-term partnerships, on cargoes as well as on tonnage.

Ultrabulk also operates in several specialised parcelling services with substantial synergies to our core elements. 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 135-170 vessels.

Another important cornerstone in Ultrabulk's business platform is a well-proven risk management system covering various business risks. New technologies have made internal processes more efficient and data more accurate, thus enabling a better business decision support going forward.

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

Ultrabulk had 99 employees by the end 2020, strategically located in offices in Copenhagen (Head office), Santiago, Stamford (CT), Rio de Janeiro, Singapore, Cape Town and Sydney.

With its comparatively 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.

Vision statement

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

A PARTNER
YOU CAN
TRUST

Core Values



Excellence

We constantly measure, analyse and adjust in order to enhance quality.



Passion

We address challenges with passion and positive commitment.



Integrity

We are committed to being reliable, trustworthy, and dependable.



Safety

We are committed to developing and stimulating a safe working culture onboard ships and ashore.

PART OF A LARGE AND DIVERSIFIED SHIPPING GROUP

The Ultrana Group

Ultrabulk is part of the Ultrana Group. Ultrana is a privately owned shipowning and operating company headquartered in Santiago, Chile.

Through eleven business units, Ultrana operates in five market segments: Oil, gas, dry bulk, coastal trades, and towage & offshore. Ultrana 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.

Ultrana is focused on providing efficient, safe and environmentally friendly maritime transportation, harbour towage and maritime support services to the mutual benefit of its customers, employees and all relevant stakeholders.

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Ultrana Business Units



Ultrana Fleet

Number of vessels and tugs in our fleet (as per Dec 2020)

Grand Total: 426

108
Tankers



10
MPP & Containers



71
Harbor Tugs



23
PSV



4
AHTS



21
Gas Carriers



177
Dry Cargo



3
Pusher Tugs



5
Barges



4
Pilot/Crew Boats



2020 HIGHLIGHTS

The market during Q1 2020 was lower than in Q1 2019 as the usual seasonality pulling the market lower was exacerbated by the arrival of Covid-19. The Baltic Supramax Index (BSI) fell to USD 6,557 per day in Q1 2020 compared to USD 7,931 in Q1 2019. The market stayed subdued in Q2 with the BSI at USD 5,484 as the effects of the virus ravaged the economies. By Q3, mainly China accelerated dry bulk imports and the BSI rose to USD 9,931 per day. As China kept up steam, the BSI averaged USD 10,749 in Q4. The BSI ended up at USD 8,180 per day in 2020 compared to USD 9,923 in 2019.

2020 has been a strange year for Ultrabulk. We have only been able to travel very little to meet our customers and other counterparts, and we hope to do more of that in 2021. At the same time Covid-19 has resulted in a change in how we work and we have benefitted from the digitalisation push many companies has seen.

Ultrabulk African Services, Ultrabulk Parcel Service and the specialised MPP Service which focuses on the

Europe/Africa/Europe trades continued with a good development during 2020, increasing the size of the operation to the benefit of its clients, when at its highest operating around 40 vessels in total. These additional services provide clients with an even more diversified product range and have resulted in cross segment synergies and opportunities.

Ultrabulk operated an average of 137 vessels during 2020, which was around 5 vessels lower than the number of vessels operated in 2019. This stems from a low of 130 vessels under Covid-19 and a high of 170 in November.

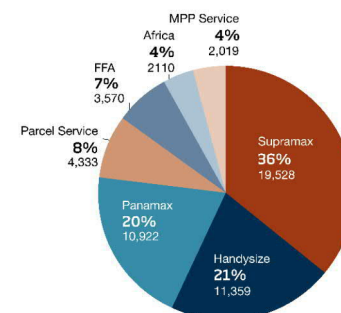
The long-term vessel portfolio slightly exceeds the Group's long-term contractual cargo commitments. The long-term core fleet decreased by 5 units in 2020 to reach 43.

The total of physical ship days in 2020 was 50,274 days, in 2019 the total was 51,521 days. Cargo lifted was

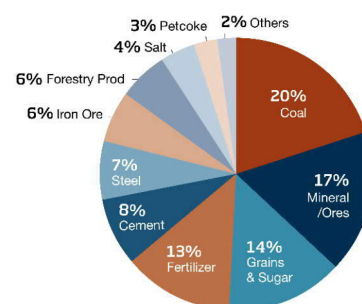
slightly down by 2% from 53,7 million tons in 2019 to 52,4 million tons in 2020.

The Board of Directors has proposed not to pay a dividend for 2020.

2020 Trading days (50,274) by segment & area



2020 Lifting's 52.4 M/tons



2021 OUTLOOK

Ultrabulk is confident that the worst of Covid-19 effects are behind us and it is well positioned to address the opportunities that will arise under present market conditions. Our more general market outlook for 2021 is described on page 8. Based on the Company's current

coverage, and the expected market conditions, Ultrabulk expects to get back to a good performance with EBIT and Net Profit back to 2018/2019 levels or better.

GROUP KEY FIGURES & RATIOS

KEY FIGURES (USD '000)	2020	2019	Restated* 2018	Restated* 2017**	Restated* 2016**
INCOME STATEMENT					
Revenue	900,043	1,005,634	1,047,614	891,716	585,318
Gross profit (Net earnings from shipping activities)	141,170	160,669	161,660	131,604	128,360
Operating profit before depreciation, amortization and impairment loss (EBITDA)	120,544	136,738	137,473	109,300	106,540
Operating profit (EBIT)	-2,267	33,305	35,070	13,864	16,414
Net financials	-12,104	-16,921	-18,647	-15,898	-14,994
Profit before tax	-14,371	14,795	16,148	-2,035	-1,016
Net result	-16,257	13,159	14,638	-3,470	403
STATEMENT OF FINANCIAL POSITION					
Non-current assets	379,280	447,914	500,856	474,717	509,423
Current assets	209,383	213,439	190,017	182,810	167,767
Total assets	588,663	661,353	690,873	657,527	677,190
Equity, excl. non-controlling interests	135,322	158,101	143,525	133,880	135,012
Non-controlling interests	-	64	64	64	64
Non-current liabilities	233,826	289,054	351,336	331,053	382,012
Current liabilities	219,515	214,134	195,948	192,736	160,103
Net interest-bearing (liabilities)/assets including leases	-259,331	-281,770	-332,507	-312,623	-314,332
Cash and cash equivalents, including restricted cash	76,746	91,932	74,395	69,355	93,179
CASH FLOW					
From operating activities	131,797	150,056	143,622	99,440	124,755
From investing activities	2,444	13,428	-19,808	-19,264	-4,899
- of which relates to investment in tangible assets	-19,481	-26,056	-43,516	20,098	5,024
From financing activities	-153,475	-146,259	-118,774	-104,998	-114,016
Total net cash flow	-19,234	17,225	5,040	-24,822	5,840
FINANCIAL RATIOS					
Gross profit margin (Net earnings from shipping activities margin)	15.7%	16.0%	15.4%	14.8%	21.9%
EBITDA margin	13.4%	13.6%	13.1%	12.3%	18.2%
Return on equity (ROE)	-11.1%	8.7%	10.6%	-2.6%	0.3%
Payout ratio	0.0%	76.0%	34.2%	0.0%	0.0%
Equity ratio	23.0%	23.9%	20.8%	20.4%	19.9%
USD/DKK rate year-end	605.76	667.59	651.94	620.77	705.28
Average USD/DKK rate	653.43	667.03	631.74	659.53	673.27
Total number of physical ship days	50,274	51,521	52,619	52,263	41,143
Average number of employees	97	96	97	94	94
Proposed ordinary dividend	-	10,000	5,000	-	-

* The Group has implemented IFRS 16 with full retrospective effect. Comparatives are adjusted. Adjusted figures for 2016-2017 are unaudited.

** Comparative figures have not been restated to reflect the implementation of IFRS 9 and IFRS 15.

The fleet

MPP

Up to 25,000 dwt – Up to 10 vessels



Handysize

25,000-45,000 dwt – Up to 55 vessels



Supramax

45,000-65,000 dwt – Up to 65 vessels



Panamax

65,000-85,000 dwt – Up to 40 vessels



Total fleet: 135 to 170 vessels

MARKET REVIEW & 2021 OUTLOOK

Market review

2020 was dominated by the outbreak of Covid-19. The virus hit the dry bulk market in Q1 when the market was already battling the usual seasonal slump as well as extra fuel cost due to new IMO regulation.

The outbreak escalated from an internal Chinese concern into a pandemic dominating the global economy.

China recovered fast and kept global dry bulk demand at reasonable levels for the rest of the year. As the virus spread to the 'West' lockdowns helped contain the virus during summer and restrictions were scaled back. However, with winter approaching outbreaks flared up and lockdowns reintroduced.

The other major effect on dry bulk demand in 2020 has been an extraordinary lack of steam coal demand. This is due to many industries have been operating at low levels but also that especially the developed world is switching to non-carbon fuel sources.

The yearly rates in context:

Usd/day ('000)	2017	2018	2019	2020	2021 FFA (Mar 5.)
C5TC	15,1	16,5	18,0	13,1	20,1
P4TC	9,8	11,7	11,1	8,6	16,7
S10TC	9,3	11,5	9,9	8,2	16,1
BHS6TC	7,6	8,7	7,2	6,0	12,2

2021 Outlook

The end of the year initiated a rate surge for smaller vessels which accelerated in Q1 2021.

The reasons for the unusual high rates were:

- Record grain shipments out of mainly USG as Chinas pig heard was being rebuild.
- A unusually cold winter in the northern hemisphere increasing coal demand.
- Congestion in China.
- Support from a booming container sector where demand was spilling into dry bulk.

We expect charter rates to fall back from the record highs in Q1, but remain elevated. We believe demand will stay strong for the rest of the year as the economies are opening along with vaccinations being rolled out. The elevated demand is also supported by the effects of government stimuli and low interest rates.

Especially the Emerging and Developing economies are expected to grow strongly. For dry bulk shipping this is great news as these countries drive dry bulk demand.

Growth pct.	2017	2018	2019	2020	2021f
World GDP	3.8	3.5	2.8	-3.5	5.5
Adv.Econ	2.5	2.2	1.7	-4.9	4.3
Emg.Econ	4.8	4.5	3.7	-2.4	6.3
Fleet	2.9	2.9	4.0	3.7	2.6
Demand	4.7	2.5	0.2	-0.2	3.7

(IMF, Clarksons, Ultrabulk)

In 2021 Ultrabulk sees the iron ore trade growing by 0.6% based mainly on steel demand growth for infrastructure and housing in Asia. The coal trade is forecasted to grow by 4% as pent-up demand globally generally and strong demand from Asia especially is higher than the shrinking demand forecasted mainly from Europe. The grain market is forecast to grow by 3.4% with demand for feed for the Chinese pig heard doing the heavy lifting. The minor bulk trades are forecast as being the top performers benefitting from the resurrection of the global economy and are forecast to be growing by 5%.

Ultrabulk sees fleet growth below demand growth in 2021 even if the current elevated rates are incentivising many owners to refrain from scrapping old tonnage.

The major structural changes to be watching in 2021 will be:

- Contracting at levels below historical averages due to fears of future regulation shortening the operational lifetime of a vessel contracted with current CO₂ emitting engines.
- Lower steam coal demand as calls for environmentally friendly power and heating solution grows larger globally.

SUSTAINABILITY

Ultrabulk runs its business operations in accordance with internationally recognised climate and environmental management standards.

Climate and environmental challenges

One of the main challenges leading up to 2020 was the global Sulphur Cap, requiring that the maximum content of Sulphur in the fuel used in the global trade fleet must be below 0.5% unless there is a so-called scrubber installed.

During these past years, Ultrabulk completed a long-term investment programme to install Sulphur scrubbers on a number of existing vessels as well as contracting four new vessels with scrubbers onboard. The remainder of the fleet is running on compliant fuels.

As we look to the future, we have new regulations coming into force in 2030 and 2050; Via IMO we are committed to reduce our emissions with 40% per cargo tons-mile by 2030 and 50% by 2050 compared to 2008 figures. Globally, the focus on emission reductions is increasing day-by-day and we must continue to innovate, collect and analyse data, invest in equipment and systems as well as raise general awareness both on-shore and at-sea.

We continue to be active in various Committees in Danish Shipping in order to actively participate in setting the direction for the industry and support the IMO ambitions for 2030 and 2050.

We believe we have the opportunity to play a positive role in this future to the benefit of the climate as well as our long-term success as a company.

Technology and online monitoring

In 2020, Ultrabulk launched the system we have been working on with ZeroNorth to improve speed setting decisions on voyages. The purpose of the tool is to take better decisions on speed planning a voyage for the optimal environmental result.

Ultrabulk started to monitor and optimise voyages by capturing reported data from the captains in a uniformed way as part of the information used speed and consumption models and fuel tables created by VPS in the system Vesper. This is then presented in a decision support software where we can optimise the technical performance of the vessels. Furthermore, the tool is also used to react faster to cleaning the vessels when needed, thereby improving performance. We believe fast reaction is key to improving performance and the system helps us in doing so.

We have also started to use the technology in evaluating new vessels we are taking in, ensuring we know what to expect on performance.

During the year, we have also increased the team focusing on performance, as we believe it is a cornerstone of our operations going forward.

Decarbonisation strategy

Realising that the climate and environmental challenges cannot be solved by one company alone, it is only natural that Ultrabulk has joined forces with the rest of the Ultrana group to find synergies and work together on various projects. Ultrana has outlined a decarbonisation strategy built on 8 pillars. The goal is to play an active role in exceeding IMO's mandatory targets

of reducing CO₂ intensity by at least 40% until 2030 and total GHG emissions by 50% until 2050.

Within each of these 8 pillars, Ultrana has identified a list of projects and initiatives, existing as well as new ones, to be further pursued in the effort to support the sustainability agenda. Taking on the climate challenge is not all about regulations and restrictions. It also offers a variety of opportunities for us as a group as well as for the shipping industry and society at large.

The 8 pillars are:

- Energy efficiency
- Partnerships
- New technology
- Shared responsibility with our customers
- Education and awareness
- Responsible and accurate reporting
- Regulations
- Carbon credits.

Reporting

Ultrabulk reports on all CSR relevant activities according to the requirements in the Danish Financial Statements Act §99a. The report is a joint report between the Danish Ultrana companies; Ultrabulk A/S, Ultragas ApS, UltraShip ApS and Ultrana Business Support ApS, and is available on our website:



[Ultrabulk.com/sustainability](https://www.ultrabulk.com/sustainability)

FINANCIAL REVIEW

Results

Revenues in 2020 were USD 900 million, a 10% decrease from 2019 (USD 1,006 million) which was linked to a decrease in the average fleet size and challenging market conditions in 2020.

Gross profit was USD 141.2 million in 2020 corresponding to a gross margin of 15.7%, against 16.0% in 2019.

EBITDA was USD 120.5 million (USD 136.7 million in 2019), corresponding to an EBITDA margin of 13.4% (13.6% in 2019).

Depreciation amounted to USD 117.1 million (USD 103.6 million in 2019), mainly related to depreciation on right-of-use assets and own vessels.

One vessel and one newbuilding were sold during 2020. The sale of the vessel in 2020, with delivery in 2021, resulted in an impairment loss of USD 2.9 million and the vessel was subsequently reclassified to assets held for sale.

Share of results from joint ventures amounted to a loss of USD -7.1 million, against a loss of USD -0.3 million in 2019. The loss in 2020 was primarily linked to an impairment charge of USD 6.3 million on a vessel.

Financial items amounted to a net expense USD 12.1 million (net expense of USD 18.5 million in 2019). The

main part of the financial expenses relates to interest on lease liabilities.

Income tax amounted to USD -1.9 million and consist primarily of tax expenses under the Danish Tonnage Tax Scheme.

Net result amounted to a loss of USD 16.3 million (profit of USD 13.2 million in 2019), which is considerably below the expectations set out last year. The loss is related to the low market conditions under Covid-19.

Balance sheet

Total assets amounted to USD 588.7 million, against USD 661.4 million in 2019.

Non-current assets totalled USD 379.3 million (USD 447.9 million in 2019) of which USD 299.2 million was Right-of-use assets in 2020 (USD 328.3 million in 2019). The decrease from 2019 was due to depreciations which was only partly offset by additions. Additionally, a vessel was reclassified to assets held for sale as it was sold in 2020 with delivery to the new owners in 2021.

Current assets totalled USD 209.4 million on par with last year. The cash, including restricted cash was USD 76.7 million as of 31st December 2020 (USD 91.9 million as of 31st December 2019).

Total liabilities amounted to USD 453.3 million compared to USD 503.2 million in 2019. The main part of the liabilities are related to lease liabilities of USD 337.6

million in 2020 (USD 381.4 million in 2019). Total equity decreased to USD 135.3 million from USD 158.2 million in 2019), mainly due to a dividend to shareholders of USD 10.0 million along with a loss for the year of USD 16.3 million, which was only partly offset by other comprehensive income of USD 3.4 million.

Return on equity was -11.1% (8.7% in 2019) and equity ratio was 23.1% at the end of 2020 (23.9% at the end of 2019).

Due to the negative result in 2020, the Board of Directors will not propose an ordinary dividend pay-out for the year.

Cash flow

The cash flow for the year netted at an outflow of USD 19.2 million against a net inflow of USD 17.2 million last year.

Cash flow from operating activities was positive by USD 131.8 million (USD 150.1 million in 2019), mainly related to cash generated from the shipping activities.

Cash flow from investing activities netted USD 2.4 million (USD 13.4 million in 2019) reflecting sales of vessels.

Cash flow from financing activities was an outflow of USD 153.5 million (USD 146.3 million in 2019) is mainly related to instalments and interest payments on lease liabilities.

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 2020, unchanged from 2019. In 2021, the members of the Board of Directors will also refrain from receiving any compensation for their work. If the Company 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 Committee

Members of the Executive committee are employed under executive service contracts, and all terms are fixed by the Board of Directors based on the guidelines approved by the general meeting.

The Executive Committee of Ultrabulk consists of the CEO, CFO and three Executive Vice Presidents.

Members of Executive Committee receive a competitive remuneration package consisting of the following elements: 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.

Risk management

Please refer to note 22 for a description of main risk exposures and risk management processes.

Gender composition

According to the requirements in Danish Financial Statement Act § 99b, Ultrabulk must report on gender composition in the management. Ultrabulk 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 (general managers and higher) since early 2015, however not with equal representation. The representation of women in the management team has not increased in 2020 and the aim is to increase the female representation in the coming years.

Ultrabulk 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 2019 to appoint at least one female member by the end of 2020. This target was not achieved as it proved to be too ambitious considering the time frame and the female representation in the shipping industry in general.

The Board of Directors comprises of four male members at the end of 2020.

Looking forward, our renewed ambition is that a female member of the Board of Directors will be appointed within four years from setting this ambition, which is by the end of 2024.

STATEMENT OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and approved the Annual Report 2020 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 2020.

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, 19 March 2021

EXECUTIVE MANAGEMENT



Per Lange
Chief Executive Officer



Francisco Larrain
Chief Financial Officer



Hans-Christian Olesen
Executive Vice President

BOARD OF DIRECTORS



Dag von Appen
Chairman



Jan Vermeij



Peter Stokes



Raimundo Sanchez

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 2020, 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 is 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 2020 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2020 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 2020 and of the results of the Parent Company's operations

for the financial year 1 January – 31 December 2020 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 additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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.

Based on our procedures, 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.
- ▶ 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, 19 March 2021

EY
Godkendt Revisionspartnerskab
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State Authorised Public Accountant
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit or loss

Figures in USD '000	Note	2020	2019
Revenue	3	900,043	1,005,634
Voyage related expenses		-371,102	-394,544
Time-charter hire and operating expenses	4	-387,771	-450,421
Gross profit (Net earnings from shipping activities)		141,170	160,669
Other external expenses	5	-7,188	-9,215
Staff costs	6	-13,438	-14,716
Operating profit before depreciation, and impairment loss (EBITDA)		120,544	136,738
Depreciation	7	-117,065	-103,587
Impairment loss on vessels	10	-2,910	-
Gain/(loss) from sale of vessels, net		4,252	457
Share of joint ventures' profit after tax	14	-7,088	-303
Operating profit (EBIT)		-2,267	33,305
Share of associates' profit after tax			
Financial income	8	4,379	1,604
Financial expenses	8	-16,483	-20,114
Profit before tax		-14,371	14,795
Tax	9	-1,886	-1,636
Net result		-16,257	13,159

Statement of comprehensive income

Figures in USD '000	Note	2020	2019
Net result		-16,257	13,159
Other comprehensive income			
<i>Items that will be recycled subsequently to the Consolidated Income Statement when specific conditions are met:</i>			
Cash flow hedges, deferred gains/losses incurred during the year	25	2,865	5,926
Foreign exchange adjustments in net investments in foreign operations		-	218
Reclassified to share of associates' profit after tax		645	645
Other changes		-96	-
Other comprehensive income, net of tax		3,414	6,789
Total comprehensive income		-12,843	19,948

CONSOLIDATED BALANCE SHEET

Assets

Figures in USD '000	Note	2020	2019
Vessels	10	41,545	62,831
New building contracts	10	-	-
Right-of-use assets	11	299,239	328,307
Fixtures, fittings, and equipment	10	731	813
Tangible assets		341,515	391,951
Investment in associates	13	750	750
Investment in joint ventures	14	18,190	25,279
Loans receivable from related companies		4,837	2,690
Derivative financial instruments	25	188	1,408
Receivables from subleases		13,800	25,836
Financial assets, non-current		37,765	55,963
Total non-current assets		379,280	447,914
Inventories	15	17,860	27,283
Trade and other receivables	16	60,455	55,737
Receivables from related companies		1,805	9,747
Receivables from subleases		12,297	11,331
Prepayments		20,979	10,467
Derivative financial instruments	25	3,341	1,312
Cash and cash equivalents, including restricted cash	17	76,746	91,932
Assets classified as held for sale	12	15,900	5,630
Current assets		209,383	213,439
TOTAL ASSETS		588,663	661,353

Equity and liabilities

Figures in USD '000	Note	2020	2019
Share capital	18	5,134	5,134
Retained earnings		131,918	158,581
Other reserves		-1,730	-5,614
Total equity of majority interest		135,322	158,101
Non-controlling interests		-	64
Total equity		135,322	158,165
Interest bearing loans and borrowings	19	18,175	28,486
Lease liabilities	20	212,588	258,805
Derivative financial instruments	25	3,063	1,763
Total non-current liabilities		233,826	289,054
Trade and other payables	21	77,072	79,862
Interest-bearing loans and borrowings	19	11,245	3,699
Lease liabilities	20	125,003	122,569
Payables to related companies		2,227	-
Derivative financial instruments	25	2,273	5,427
Income tax payable		1,695	2,577
Total current liabilities		219,515	214,134
Total liabilities		453,341	503,188
TOTAL EQUITY AND LIABILITIES		588,663	661,353

CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in USD '000	Note	2020	2019
Profit/(loss) before tax		-14,371	14,795
Instalments received from sub-lease receivables		11,070	8,420
Tax paid		-2,768	-674
Adjustment for non-cash operating items	26	136,294	123,579
Change in working capital	27	1,572	3,936
Net cash flows from operating activities		131,797	150,056
Investments in tangible assets		-19,481	-26,056
Sale of tangible assets		28,120	39,986
Loan to related companies		-2,147	-190
Change in restricted cash	17	-4,048	-312
Net cash flows from investing activities		2,444	13,428
Free cash flow		134,241	163,484
Dividends paid to equity holders		-10,000	-5,000
Repayment of loans		-3,699	-15,376
Interest payments on loans		-1,047	-2,280
Repayment of lease liabilities		-124,193	-107,637
Interest payments on lease liabilities		-14,536	-15,966
Net cash flows from financing activities		-153,475	-146,259
Net cash flow		-19,234	17,225
Cash and cash equivalents at 1 January		90,852	73,627
Net change in cash and cash equivalents		-19,234	17,225
Cash and cash equivalents at 31 December		71,618	90,852
Restricted cash	17	5,128	1,080
Cash and cash equivalents		71,618	90,852
Cash and cash equivalents, including restricted cash at 31 December		76,746	91,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Cash flow hedge reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<i>Figures in USD '000</i>							
Equity at 1 January 2020	5,134	-4,595	-1,019	158,581	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	-64	-10,000
Equity at 31 December 2020	5,134	-1,730	-	131,918	135,322	-	135,322

	Share capital	Cash flow hedge reserve	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
<i>Figures in USD '000</i>							
Equity at 1 January 2019	5,134	-10,521	-1,882	150,794	143,525	64	143,589
Net result	-	-	-	13,159	13,159	-	13,159
Cash flow hedge	-	5,926	-	-	5,926	-	5,926
Tax of cash flow hedges	-	-	-	-	-	-	-
Foreign exchange adjustments on net investments in foreign operations	-	-	863	-	863	-	863
Other changes	-	-	-	-	-	-	-
Other comprehensive income for the year	-	5,926	863	-	6,789	-	6,789
Total comprehensive income for the year	-	5,926	863	13,159	19,948	-	19,948
Distributed dividend	-	-	-	-5,000	-5,000	-	-5,000
Other transactions with shareholders	-	-	-	-372	-372	-	-372
Transactions with shareholders	-	-	-	-5,372	-5,372	-	-5,372
Equity at 31 December 2019	5,134	-4,595	-1,019	158,581	158,101	64	158,165

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Note 1 – Group accounting policies

Ultrabulck A/S is a company domiciled in Denmark.

The Consolidated Financial Statements of Ultrabulck A/S for 2020 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis of preparation

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 carrying values of recognised assets and liabilities that are hedged items in fair value hedges and otherwise carried at cost are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been used consistently in respect of the financial year and the comparative figures.

The Consolidated Financial Statements have been presented in USD thousands (USD '000), except when otherwise indicated.

Accounting standards effective in 2020

Ultrabulck 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 2020.

None of the applied amendments and interpretations applied for the first time in 2020, have had an impact on the consolidated financial statement of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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 not relevant to the Group. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company Ultrabulck A/S and subsidiaries in which Ultrabulck 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 Ultrabulck 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 Statement 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. Non-controlling interests' share of the profit/loss for the year and of the equity of subsidiaries which are not wholly owned are included in the Group's profit/loss and equity, respectively, but are disclosed separately.

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.

Derivative financial instruments and hedging

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 recognised at fair value on the date on which a derivative 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 recognized directly in the income statement. Gains and losses that are recognized 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 recognized in the income statement. The principle also applies if the hedged forecasted transaction results in an asset or liability being recognized 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 recognized in other comprehensive income remains separately recognized 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 recognized 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. Changes in the fair value of such derivatives are recognized 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.

Leases

Right-of-use assets

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.

Lease liabilities

At the commencement date of the lease, Ultrabulk recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The service fee included in the payments 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 Ultrabulk is reasonably certain to exercise the extension option. 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 also include the exercise price of a purchase option reasonably certain to be exercised by Ultrabulk.

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.

Subleasing

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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to the short-term leases and leases for which the underlying asset is of low value such as office equipment and company cars. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Business activities

As the Company is unlisted it has been decided not to follow IFRS 8 Operating Segments.

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.

INCOME STATEMENT

Revenue and expenses

All voyage revenues and voyage 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) and the related expenses are recognised from the vessel's load date to the delivery of the cargo (discharge). Expenses directly attributable to position the vessel to the loading port is capitalised and amortised over the course of the transportation period.

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.

Profit and loss from the sale of vessels etc.

Profits and losses from the sale of vessels are stated as the difference between the sales price of the vessel less the selling costs and the carrying amount of the vessel at the time of delivery.

Profit from investments in associates

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.

Profit from investments in joint ventures

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.

Financial income and expenses

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

Taxes

Ultrabulk A/S is jointly taxed with the Parent Company Ultrana Denmark ApS 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.

BALANCE SHEET

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: 3 - 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.

Investments in associates

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.

Investments in joint ventures

Undertakings which are contractually operated jointly with one and more undertakings (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.

Impairment of non-current 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.

Receivables

Receivables are measured at amortised cost less provisions for impairment losses. Impairment loss for trade receivables are determined as the expected loss over the life of the receivables (simplified approach).

Contract assets

Contract assets includes accrued revenue in progress at 31 December. 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.

Inventories

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.

Contract liabilities

Contract liabilities includes accrued revenue in progress 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 assets are included in non-current liabilities.

Prepayments

Prepayments comprise cost incurred in relation to subsequent financial years.

Assets held for sale

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.

Property, plant, and equipment assets are not depreciated or amortised once classified as held for sale.

Cash and cash equivalents

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

Statement of changes in equity

Dividends

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.

Translation reserve

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.

Hedging reserve

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

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.

Financial liabilities

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.

Other liabilities, including trade payables, payables to related parties as well as other payables, are measured at amortised cost.

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 and Ultrabulk will not leave the system. 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.

Cash flow statement

The cash flow statement 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.

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.

Note 2 - Significant accounting judgement, estimates and assumptions

The preparation of the Group's Consolidated Financial Statement 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.

Judgements

In the process of applying the accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements.

Hedge accounting

In connection with forward freight agreements (FFA's), purchase of bunkers, and currencies Ultrabulk uses hedge accounting. Several criteria have to be met before a hedge is qualified as hedge accounting. One of the criteria is that the hedge is expected to be highly effective. If a hedge is subsequently measured as ineffective, and therefore deviates from the original judgement, the result must be carried to profit and loss immediately. This could result in a reallocation of the result from one accounting year to another.

Please refer to note 25 for further details.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

Management's assessment of indication of impairment on vessels and right-of use assets is based on the cash-generating units in which assets are included. 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.

At the end of 2020 the market value (broker valuations) were below the carrying amount of the Group's three owned vessels. This is considered an impairment indicator and therefore Management has prepared an impairment test for the dry bulk fleet, consisting of owned vessels with carrying amount of USD 41.5 million (2019: USD 62.8 million), right-of-use-assets with carrying amount of USD 299.2 million (2019: USD 328.3 million), vessels owned by Ultra Summit, and related net working capital etc.

The impairment test was carried out based on value-in-use. In assessing 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 assets.

The Group bases its impairment calculation on most recent budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. No terminal value has been included in the impairment tests. As time-charters expire over the budget period, it is generally assumed that expired vessels are replaced with new time charters.

At 31 December 2020, a pre-tax discount rate of 8.0% has been applied. The discount rate has been determined by Management based on market input and taking into consideration the business model applied by the Group, including having a coverage through long term cargo contracts with customers.

Management's expected rates (income) for open vessel days (uncovered capacity) for the budget period is the Company's own (internal) rate model, which is supported by estimates from external research companies. In establishing those, consideration is given to external economic analysis, and the internal rate assumptions include amongst other things scrapping of old tonnage as well as increased demand. The internal rates are to the extent available tested against information from external parties (brokers) and the historical long-term rate development.

The corona virus outbreak and new lockdowns continue to poses a downside risk to demand for vessels. Due to the uncertainty, it is not possible to predict the outcome, but over the budget period of five years, no significant effect to the world economy and thereby (indirectly) demand for our vessels, is expected.

As time-charters expire over the budget period, it is generally assumed that expired vessels are replaced with new time charters.

As an indicator of the sensitivity, a downward fluctuation of the EBITDA by 5% would, all other things being equal, give rise to a reduced value in use of approximately USD 20 million. Furthermore, the application of a WACC of 9.0% instead of 8.0% would, all other things being equal, result in a reduced value in use of approximately USD 13 million.

An impairment loss of USD 2.9 million has been recognised in relation to one vessel classified as assets held for sale at 31 December 2020, cf. note 10 and 12.

Reference is made to note 14 for the impairment test performed for the joint venture, Ultra Summit.

Provision for litigation and claims:

The Group is a party to various litigation proceedings and claims have been made against the Group. Provision for estimated losses is made in the income statement if both of the following criteria are met:

- The information that was available prior to the publication of the financial statements indicates that it is more likely than not that an obligation has arisen at the balance sheet date.
- The amount of the loss can be reliably measured

Please refer to note 24 for further details.

Lease liabilities

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 (daily running costs) is excluded from the right-of-use assets. Assessing the measurement of the non-lease component includes estimates. The measurement of the non-lease component takes several factors into consideration such as operating costs, aging of the vessels, vessel types, etc.

Note 3 – Revenue

Revenue by business activity:

Figures in USD '000	2020	2019
Panamax	200,113	199,504
Supramax	333,863	394,872
Handysize	184,359	212,472
MPP, Parcel Services and African Services	179,036	195,365
Revenue - sublease financial income	2,672	3,420
Total	900,043	1,005,634

Revenue by category:

Figures in USD '000	2020	2019
Income from freight	737,220	800,899
Income from time charter	157,093	197,034
Other	5,730	7,701
Total	900,043	1,005,634

Revenue recognised at a point in time comprise less than 1% of revenues.

Note 4 – Time-charter and operating expenses

Figures in USD '000	2020	2019
Time-charter	297,468	375,125
Opex element, IFRS 16	85,491	69,813
Opex own vessels	4,812	5,482
Total	387,771	450,421

Note 5 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	2020	2019
Audit	197	150
Other assurance service	-	-
Tax consultancy	65	32
Other services	35	21
Total	297	203

Note 6 – Staff costs

Staff costs

The staff cost to onshore employees are recognized under staff costs in profit or loss and breaks down as follows:

Figures in USD '000	2020	2019
Wages and salaries	11,192	11,549
Pensions - defined contribution plan	847	662
Other staff costs	589	687
Incentive payment (cash based)	810	1,818
Total	13,438	14,716
Average number of employees	97	96

Remuneration for certain employees, who are remunerated from related companies, are expensed as management fee, and consequently recognized as "Other external expenses".

Note 6 – Staff costs (continued)

Remuneration of Executive Management:

Remuneration of Executive Management breaks down as follows:

Remuneration for the Management Figures in USD '000	2020		2019	
	Board of Directors	Executive Management	Board of Directors	Executive Management
Fixed salaries	-	630	-	885
Pensions - defined contribution plan	-	29	-	28
Incentive payment (cash based)	-	-	-	358
Total remuneration for the Board of directors and executive management	-	659	-	1,271

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. Management is not entitled to severance payment.

Senior management and a number of the employees are covered by an incentive scheme (cash based).

Note 7 – Depreciation

Figures in USD '000	2020	2019
Depreciation vessels	3,317	4,250
Depreciation right-of-use assets	112,945	98,764
Depreciation fixtures, fittings, and equipment	803	573
Total	117,065	103,587

Note 8 – Financial items

Figures in USD '000	2020	2019
Interest income	912	1,604
Modification of lease liabilities	3,467	-
Financial income	4,379	1,604
Interest expense on loan	-1,186	-2,280
Interest expenses lease liabilities	-14,536	-15,966
Share of associates' profit after tax	-645	-1,589
Other financial items, net	-116	-278
Financial expenses	-16,483	-20,114

Note 9 – Tax

Figures in USD '000	2020	2019
Current tax on profit for the year	-1,699	-1,623
Deferred tax on profit for the year	-	-137
Tax on profit for the year	-1,699	-1,760
Adjustments related to previous years - current tax	-187	124
Adjustments related to previous years - deferred tax	-	-
Tax in the income statement	-1,886	-1,636
<i>Computation of effective tax rate (%):</i>		
Statutory corporate income tax rate in Denmark	-22.0	22.0
Effects from Tonnage Tax Scheme	26.9	3.5
Effects of adjustments related to prior years	-1.0	-2.1
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	9.5	-12.2
Effective tax rate	13.4	11.2

Note 10 – Tangible assets

2020 Figures in USD '000	Vessels	New building contracts	Fixtures, fittings, and equipment	Total
Costs at 1 January, accumulated	73,029	-	6,023	79,052
Additions	842	-	742	1,584
Disposals	-	-	-634	-634
Transferred to assets classified as held for sale	-25,043	-	-	-25,043
Cost at 31 December, accumulated	48,828	-	6,131	54,959
Depreciation and impairment at 1 January, accumulated	-10,199	-	-5,210	-15,409
Depreciation	-3,317	-	-803	-4,120
Depreciation on disposals	-	-	613	613
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	-12,683
Carrying amount at 31 December	41,545	-	731	42,276

Refer to Note 2 regarding disclosures in respect of the impairment test of the vessels and Right-of-use assets.

The vessel, Ultra Tolhuaca, 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.

2019 Figures in USD '000	Vessels	New building contracts	Fixtures, fittings, and equipment	Total
Costs at 1 January, accumulated	97,281	1,508	5,510	104,299
Additions	21,954	4,122	513	26,589
Disposals	-46,206	-	-	-46,206
Transferred to asset held for sale	-	-5,630	-	-5,630
Cost at 31 December, accumulated	73,029	-	6,023	79,052
Depreciation and impairment at 1 January, accumulated	-12,584	-	-4,637	-17,221
Depreciation	-4,250	-	-573	-4,823
Depreciation on disposals	6,635	-	-	6,635
Impairment loss on assets transferred to assets classified as held for sale	-	-	-	-
Transferred to assets classified as held for sale	-	-	-	-
Depreciation and impairment at 31 December, accumulated	-10,199	-	-5,210	-15,409
Carrying amount at 31 December	62,830	-	813	63,643

Note 11 – Right-of-use assets

2020			
Figures in USD '000			
	Vessels	Other	Total
Costs at 1 January, accumulated	680,698	2,945	683,643
Additions	79,179	-	79,179
Disposals	-54,827	-	-54,827
Remeasurements	4,698	-	4,698
Cost at 31 December, accumulated	709,748	2,945	712,693
Depreciation and impairment at 1 January, accumulated	-354,767	-569	-355,336
Depreciation	-112,376	-569	-112,945
Depreciation on disposals	54,827	-	54,827
Depreciation and impairment at 31 December, accumulated	-412,316	-1,138	-413,454
Carrying amount at 31 December	297,432	1,807	299,239

2019			
Figures in USD '000			
	Vessels	Other	Total
Costs at 1 January, accumulated	639,128	2,945	642,073
Additions	65,185	-	65,185
Disposals	-40,141	-	-40,141
Remeasurements	16,526	-	16,526
Cost at 31 December, accumulated	680,698	2,945	683,643
Depreciation and impairment at 1 January, accumulated	-296,713	-	-296,713
Depreciation	-98,195	-569	-98,764
Depreciation on disposals	40,141	-	40,141
Depreciation and impairment at 31 December, accumulated	-354,767	-569	-355,336
Carrying amount at 31 December	325,931	2,376	328,307

Note 12 – Assets classified as held for sale

2020	
Figures in USD '000	
	Total
Carrying amount at 1 January	5,630
Sold during the year	-5,630
Transferred to assets classified as held for sale	15,900
Carrying amount at 31 December	15,900

The vessel, Ultra Tolhuaca, was sold in 2020 to a related company with delivery in 2021. Consequently, the carrying amount was transferred to assets classified as held for sale.

2019	
Figures in USD '000	
	Total
Carrying amount at 1 January	-
Sold during the year	-
Transferred to assets classified as held for sale	5,630
Carrying amount at 31 December	5,630

A newbuilding was sold after delivery from the shipyard in January 2020 resulting in a gain of USD 4.3 million. Consequently, the carrying amount was transferred to assets classified as held for sale.

Note 13 – Investments in associates

Figures in USD '000		
	2020	2019
Cost at 1 January, accumulated	1,408	1,408
Costs at 31 December, accumulated	1,408	1,408
Value adjustment at 1 January, accumulated	-658	67
Exchange rate adjustment	-	218
Impairment	-	-262
Share of the result for the year	-	-682
Value adjustment at 31 December, accumulated	-658	-658
Carrying amount at 31 December	750	750
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	750	750

Pérola S.A. is in the process of formal liquidation. The carrying amount of USD 0.8 million is the expected liquidation proceeds of Perola, when the entity is fully liquidated.

Note 14 – Investments in joint ventures

Figures in USD '000		
	2020	2019
Cost at 1 January, accumulated	23,825	23,825
Costs at 31 December, accumulated	23,825	23,825
Value adjustment at 1 January, accumulated	1,454	1,757
Share of the result for the year	-7,088	-303
Value adjustment at 31 December, accumulated	-5,634	1,454
Carrying amount at 31 December	18,190	25,279
The carrying amount can be specified as follows:		
Ultra Summit (Singapore) Pte, Ltd., 50%	18,190	25,279
	18,190	25,279
Key figures for investment in joint ventures (100% basis):		
Assets	97,180	115,974
Liabilities	-60,800	-65,415
Net assets	36,380	50,558
Revenues	15,492	16,413
Profit/loss for the year	-14,176	-606
Total comprehensive income for the year	-14,176	-606

Ultra Summit (Singapore) Pte. Ltd, owns four vessels, all of which are chartered out to Ultrabulk. Three of the vessels are part of the cash generating unit for Ultrabulk's fleet cf. note 2. Management have prepared an impairment test of the other vessel based on the same assumption as described in note 2. The impairment test shows an impairment loss of USD 6.3 million which have been included in the share of result for the year. Changes to the assumptions would not significantly change the profit for the Group.

Note 15 – Inventories

Figures in USD '000	2020	2019
Bunker	17,860	27,283
Total	17,860	27,283
Bunker expenses recognized in profit or loss	192,911	221,597

Part of the bunker consumption has been hedged in accordance with the Groups risk management policy. This is described in Note 22.

Note 16 – Trade and other receivables

Figures in USD '000	2020	2019
Customers (trade receivables)	31,801	28,582
Other receivables	13,928	10,125
Contract assets	14,726	17,030
Total	60,455	55,737
Trade receivables are non-interest bearing and are generally of 5 - 30 day terms,		
Maturity analysis for trade receivables		
- receivables not due	11,766	12,463
- less than 90 days	18,207	15,053
- between 91 days and 180 days	907	982
- between 181 days and 360 days	81	0
- more than 360 days	840	84
Carrying amount of trade receivables	31,801	28,582
Trade receivables at initial value impaired and fully provided for	1,344	1,020
Change in provision for trade receivables:		
Provision 1 January	1,020	1,623
Net change in provision	324	-603
Provision 31 December	1,344	1,020

For a description of Ultrabulk's payment terms as well as management of credit risk, reference is made to note 22.

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.

Note 17 – Restricted cash

Figures in USD '000	2020	2019
Cash and cash equivalents	71,618	90,852
Restricted cash related to deposits in favour of clearing houses	5,128	1,080
Cash and cash equivalents, including restricted cash	76,746	91,932

Note 18 – Share capital

The share capital was increased in May 2016 from DKK 500,000 to DKK 2,000,000. Due to an intragroup merger in 2016, the share capital was increased further from DKK 2,000,000 to DKK 27,100,000. The share capital have not been subject to other changes in the past five years.

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.

Note 19 – Interest bearing loans and borrowings

Figures in USD '000		2020	2019
		Carrying amount	Carrying amount
Mortgage on vessel	Fixed/ Floating		
	Fixed	16,877	18,593
Mortgage on vessel	Floating	12,543	13,593
Total		29,420	32,185
Long term part		18,175	28,486
Current part		11,245	3,699
Total		29,420	32,185

The fixed-rate loans are fixed at an interest rate of 3.0% - 3.1% (2019: 3.0% - 3.1%).

The floating-rate loans are entered with a fixed margin of 1.3% - 2.1% (2019: 1.3% - 2.1%) + USDLIBOR 6MDR. The average interest rate on the floating rate loans was 3.2% (2019: 4.2%). Interest rate swaps entered for floating-rate loans are entered with fixed-pay interest rate of 2.1%.

The fair value of the fixed loans is not materially different from the carrying amount. The loans are subject to financial and operational covenants. Management assesses that Ultrabulk and the guarantor Ultrnav International S.A. meet these covenants at 31 December 2020.

Loans are secured by vessels. The carrying amount of the vessels provided as security is USD 57.4 million (2019: USD 62.8 million).

Note 20 – Lease liabilities

Lease agreements for vessels have been entered into with a mutually interminable lease period up to 10 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 vessel is based on an individual assessment.

The Group has purchase options on 40 leases. However the majority of such purchase options are partly shared.

The lease liabilities are specified as follows:

Figures in USD '000	2020	2019
Lease liabilities 1 January	381,374	407,234
Additions for the period	79,179	65,185
Remeasurements	1,231	16,592
Instalments made	-124,193	-107,637
Lease liabilities 31 December	337,591	381,374
Long term part	212,588	258,805
Current part	125,003	122,569
Total	337,591	381,374

Of the total liabilities USD 24.9 million (2019: USD 31.0 million) is related to liabilities under flexible lease hire 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.

Some of the lease contracts include customary option for extension of the lease period. The liabilities for the extension period is only included as liabilities if it is reasonably certain the extension period will be exercised.

Leases to which the Group is committed, but for which lease terms has not yet commenced have an undiscounted value of USD 48 million (2019: USD 195.0 million).

The total cash outflow from leases in 2020 are USD 379.0 million, (2019: USD 460.0 million) which includes short term leases.

Other information relating to leases is included in note 4 (short term leases), note 7 (depreciation) and 8 (financial items, net), note 11 (right-of-use assets), note 23 (short term lease commitments) and note 25 (liquidity risk).

Note 21 – Trade and other payables

Figures in USD '000	2020	2019
Trade payables	25,428	33,718
Accrued expenses	17,438	26,939
Contract liabilities	34,206	19,205
Total	77,072	79,862

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 days terms.
- Other payables are non-interest bearing and have an average term of six months.

Contract liabilities

There was no significant change in contract liabilities in deferred revenue during 2020. Outstanding performance obligations will be performed within one year.

Note 22 – Financial risk management, objectives and policies

Risk management overview

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

Market risks

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 on being long on cargoes (typically when expecting a decreasing market) or long on vessels (typically when expecting an increasing market).

Unexpected fluctuation in freight rates is the key factor affecting cash flow 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 commitment on cargoes and commitment on vessels taken by the Company.

Ultrabulk's business model is to maintain a relatively balanced book building and to constantly keep a strict control of the level of exposure by utilising state of the art back office exposure systems, which allows the Company to timely adjust its book building.

Fuel Prices:

Contracts of Affreightment (cargo contract containing multiple cargoes) are based on fixed freight rates, which expose the Company to fluctuations on fuel prices.

The Company seeks to reduce the exposure to fluctuating bunker fuel prices through compensation clauses in contracts with clients. On contracts (CoA's) where this is not possible the Company uses commodity based derivatives to reduce bunker exposure.

Counterparty risk:

The Company's main credit risks are related to its counterparty risk. The risk profile is determined by the counterparty's solvency and the type of legal contract upon which the deal is based. Counterparty vetting has increased in importance as well as in efforts in Ultrabulk.

Single cargoes:

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.

Contract of Affreightment (multiple cargoes):

It is important for Ultrabulk to carefully evaluate counterparty risk on CoA contracts, as the Company is highly dependent on the counterparty's solvency and its ability and willingness to fulfil their obligations. Typically, the counterparties would operate within the commodities industry.

Contract of Affreightment (multiple cargoes), continued:

Approval of CoA counterparties is done on senior management level only, and involves the following elements:

- Positive credit rating report from a London 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.

Time charter out:

Ultrabulk does use 'time charter out', however occasionally Ultrabulk vessels are on shorter or longer time charter to other ship operators. The approval process is very similar to that outlined above, with extra emphasis on positive industry references.

Time charter in:

Although Ultrabulk is paying hire to the owners of the vessel, there is a risk that the owners may default and the contract terminate early. The loss of such charter may represent a significant risk, therefore Ultrabulk evaluates these types of contracts in line with those of the CoAs and time charter out.

Derivative financial instruments are only entered with highly rated financial institutions, which imply that the credit exposures for these transactions are expected to be at an acceptable level.

Forward Freight Agreements (FFA):

Several contract types are being offered in the derivatives market. Ultrabulk A/S however only utilizes swaps.

FFAs are utilised both as an instrument for hedge and speculation, for cargo as well as vessel commitments. The Company utilises extensive risk management systems in order to control the market value of all open positions. Based on the risk systems, the Company is able to monitor the market position on a daily basis.

Interest rate risk exposure

Interest rate and currency risks are moderate financial risks for Ultrabulk. Management periodically reviews and assesses the primary financial market risks. Ultrabulk will use

financial derivatives to manage such risks. These may include interest rate swaps, forwards contracts and options. A 1% change in interest rate will affect profit or loss by USD 0.2 million (2019: USD 0.1 million).

Currency risk

The Company's reporting currency is USD. Most of the Company's revenues and expenses are denominated in USD. The Company has own vessels. The Company's strategy is to finance the vessels in the same currency as the vessels receive income. As a consequence, the vessels will be financed in USD. The Company may use financial derivatives to reduce the net operational currency exposure.

Currency risks are not material at 31 December 2020.

Liquidity exposure

It is the Company's objective to maintain a balance between continuity of funding and flexibility through the usage of available bank facilities, either in the form of overdraft facilities, or through revolving credit facilities. The Company's surplus liquidity is placed in bank accounts with interest on deposits, or through term deposits.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains an adequate capital ratio in order to support its business and maximise shareholder value. Ultrabulk A/S manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company can make dividend payment to shareholders, or issue new shares.

Other risks

Environment:

The majority of the vessels controlled by Ultrabulk A/S are chartered and therefore the majority of risk in connection with environmental issues rests with the owner of the vessel. There are however situations, whereby Ultrabulk A/S may become liable for spills or other environmental impacts. Ultrabulk A/S has an insurance against these types of accidents.

Piracy:

The risks encountered when transiting the Indian Ocean High Risk Area as well as certain countries in West Africa are substantial. 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 (BMP4)" – this includes having a contingency plan for all vessels calling the area.

Note 23 – Short term lease liabilities and revenue commitments

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 31 December 2021:

Figures in USD '000	2020	2019
Short term lease and low value		
Within one year	15,820	67,364
Total	15,820	67,364

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

Figures in USD '000	2020	2019
COAs and Time Charter commitments as service provider		
Within one year	140,742	121,706
Between 1 - 5 years	308,298	356,007
More than 5 years	6,640	46,324
Total	455,680	524,037

Note 24 – Contingent liabilities

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.

Agreements for future delivery of new buildings

Figures in USD '000	2020	2019
Agreements for future delivery of new buildings		
Remaining contract amount until delivery in USD translated at the exchange rate at year end	-	17,500
The remaining contract amounts in USD is payable as follows:		
Within one year	-	17,500
Between one and five years	-	-
Total	-	17,500

Guarantees

Figures in USD '000	2020	2019
Guarantees		
Ultrabulk A/S has issued guarantees for loans to joint ventures	25,250	28,828
Total	25,250	28,828

Note 25 – Financial instruments

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

Set out below 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.

Figures in USD '000	0-1 Year	2-5 Years	After 5 years	Contractual cash flow	Carrying amount
31 December 2020					
Recognised at amortised cost					
Financial institutions	11,629	18,203	3,539	33,371	29,420
Trade and other receivables	77,072	-	-	77,072	77,072
Payables to 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 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

Fair value for derivatives and borrowings 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.

Figures in USD '000	0-1 Year	2-5 Years	After 5 years	Contractual cash flow	Carrying amount
31 December 2019					
Recognised at amortised cost					
Financial institutions	10,799	20,092	17,240	48,131	32,185
Trade and other payables	79,862	-	-	79,862	79,862
Payables to related companies	-	-	-	-	-
Lease liabilities	136,747	307,202	26,345	470,294	381,374
Total	227,408	327,294	43,585	598,287	493,421
Recognised at fair value					
Derivative financial instruments	5,427	1,763	-	7,190	7,190
Total	5,427	1,763	-	7,190	7,190
Total financial liabilities	232,835	329,057	43,585	605,477	500,611
Recognised at amortised cost					
Cash and restricted	91,932	-	-	91,932	91,932
Trade and other receivables	55,737	-	-	55,737	55,737
Receivables from subleases	14,007	28,226	-	42,233	37,167
Prepayments	10,467	-	-	10,467	10,467
Receivables from related companies	9,747	2,690	-	12,437	12,437
Total	181,890	30,916	-	212,806	207,740
Recognised at fair value					
Derivative financial instruments	1,312	1,408	-	2,720	2,720
Total	1,312	1,408	-	2,720	2,720
Total financial assets	183,202	32,324	-	215,526	210,460

Categories of financial instruments

The fair value of financial assets and financial liabilities measured at amortized cost is approximately equal to the carrying amount apart from interest bearing loans and borrowings, note 19.

Fair value hierarchy of financial instruments

Fair value hierarchy:

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 can be calculated based on the published price at the reporting date. All other financial instruments are considered fair value measurement at level 1.

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 is in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Group'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. The trade dates are between 01.01.2021 and 31.12.2026, and 60% is realised within 1 year and 15% is realised within 1-2 years. The nominal value as at 31.12.2020 is USD 40.5 million and a drop in bunker prices with 10% will have a negative impact of USD 4 million on equity.

The Group 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 criteria's are in compliance with the criteria for hedge accounting.

The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of the Group's risk management. The trade dates are between 01.01.2021 and 31.12.2022 and 70% is realised within 1 year and 30% is realised within 1-2 years. The nominal value as at 31.12.2020 is USD 34.7 million and a drop in freight rates with 10% will have a positive impact of USD 3 million on equity.

The Group 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.

Interest rate risks

Interest rate risks concern the interest-bearing financial assets and liabilities of Ultrabulk. The interest-bearing financial assets consist primarily of cash in financial institutions and the interest-bearing liabilities mainly consist of mortgage debt. Interest rate risks occur when interest rate levels change and/or if the pricing, which the Ultrabulk has agreed with the financial institutions changes. At 31 December 2020, 43% of the Ultrabulk's interest-bearing debt (31 December 2019: 42%) carried a floating rate, defined as duration of more than one year.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD -1.7 million (31 December 2019: USD -4.6 million).

Derivative financial instruments

Ultrabulk's policy is to use financial instruments to hedge financial risk. At year-end Ultrabulk held the following derivatives:

2020, USD million	Nominal	Duration month	Recognized on equity	Fair value
Hedge accounting applied as cash-flow hedge:				
Interest swaps	2.2	1-76	-0.1	-0.1
Currency: USD/DKK	6.3	1-12	0.2	0.2
FFAs	34.7	1-24	-0.3	-0.3
Bunker hedge	40.5	1-72	-1.5	-1.5
Hedge accounting not applied:				
FFAs	6.6	1-12		-0.1
Total derivative instruments				-1.8

2020, USD million	Fair value
Presented in the financial statement as:	
Derivative financial instruments, non current assets	0.2
Derivative financial instruments, current assets	3.3
Derivative financial instruments, non current liabilities	-3.1
Derivative financial instruments, current liabilities	-2.3

Changes in liabilities arising from finance activities

Figures in USD '000	1 Jan. 20	Cash flow	Other	31 Dec. 20
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

Figures in USD '000	1 Jan. 19	Cash flow	Other	31 Dec. 19
Current interest-bearing loans and borrowings	5,256	-1,557	-	3,699
Lease liabilities	407,234	-107,637	81,777	381,374
Non-current interest-bearing loans and borrowings	41,563	-13,819	742	28,486
Total liabilities from financing activities	454,053	-123,013	82,519	413,559

Other comprise primarily of additions and remeasurements of lease liabilities, refer to note 20.

2019, USD million	Nominal	Duration month	Recognized on equity	Fair value
Hedge accounting applied as cash-flow hedge:				
Interest swaps	2.5	1-88	-0.2	-0.2
Currency: USD/DKK	5.3	1-12	0.1	0.1
FFAs	27.0	1-24	2.4	2.4
Bunker hedge	38.5	1-84	-6.9	-6.9
Hedge accounting not applied:				
FFAs	0.9	1-12		0.1
Total derivative instruments				-4.5

2019, USD million	Fair value
Presented in the financial statement as:	
Derivative financial instruments, non current assets	1.4
Derivative financial instruments, current assets	1.3
Derivative financial instruments, non current liabilities	-5.4
Derivative financial instruments, current liabilities	-1.8

Figures in USD '000	2020	2019
Effective portion of changes in fair value from:		
Currency hedges	0.2	-0.2
Interest hedges	0.1	-0.3
Bunker hedges	-7.5	3.8
FFA hedges	-0.1	3.2
Amount reclassified to profit or loss:		
Currency hedges reclassified to financial items	-0.1	0.3
Interest hedges reclassified to financial items	0.0	0.0
Bunker hedges reclassified to voyage related expenses	13.0	1.9
FFA hedges reclassified to revenue	-2.7	-2.8
Net total recognised in other comprehensive income	2.9	5.9

Note 26 – Adjustment for other non-operating cash items (Cash-flow)

Figures in USD '000	2020	2019
Gain on sale of vessel, plant and equipment	-4,252	-457
Depreciation and impairment loss	119,975	103,587
Share of gain/loss in associated companies	645	1,589
Share of gain/loss in joint venture	7,088	303
Interest expenses on loan	1,047	2,280
Interest expenses on lease liabilities	14,536	15,966
Modification of lease liabilities	-3,467	-
Net forward contract activity	79	225
Other non-cash operating items	643	86
Total	136,294	123,579

Note 27 – Change in working capital (Cash-flow)

Figures in USD '000	2020	2019
Changes in receivables	-7,288	7,004
Changes in inventories	9,423	-3,912
Changes in liabilities	-563	844
Total	1,572	3,936

Note 28 – 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:

Ultrana Denmark ApS, Smakkedalen 6, 2820 Gentofte, Denmark. The consolidated financial statement of Ultrana Denmark ApS is available at the Company's address. The

ultimate holding company of Ultrabulk A/S is Naviera Ultrana Limitada, Av, El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago Chile.

Transactions with related parties:

Figures in USD '000	Sale/ (Purchases) 2020	Sale/ (Purchases) 2019	Amounts owed by/(to) 2020	Amounts owed by/(to) 2019
Parent company, etc.				
Management fee expense	-2,000	-2,092	-	-
Loan	-	12	-	9,400
Other receivables and payables, net	-	-	-596	-236
Joint ventures				
Charter hire	-15,492	-16,413	-315	-
Guarantees	-	-	25,250	28,828
Loan	187	24	5,450	2,662

Commitments with related parties:

The vessel, Ultra Tolhuaca, was sold to a related company in 2020 with delivery in 2021. The sales prices was agreed to USD 15.9 million.

Note 29 – 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.

PROFIT OR LOSS

Figures in USD '000	Note	2020	2019
Revenue	2	567,046	630,320
Voyage related expenses		-214,531	-218,409
Time-charter hire		-360,908	-392,163
Gross profit (Net earnings from shipping activities)		-8,393	19,748
Other external expenses	3	-10,953	-12,726
Staff costs	4	-6,986	-7,470
Operating profit before depreciation and impairment loss (EBITDA)		-26,332	-448
Profit from sale of tangible assets		50	2,972
Depreciation	6	-787	-500
Operating profit (EBIT)		-27,069	2,024
Share of subsidiaries' profit after tax	7	8,734	12,854
Share of associates' profit after tax	8	-645	-1,589
Other financial items, net		976	1,050
Profit before tax		-18,004	14,339
Tax	5	-1,730	-1,498
Net result		-19,734	12,841
Proposal for the distribution of net result:			
Reserve for net revaluation according to equity method		8,734	11,265
Retained earnings		-28,468	-8,424
Proposed dividend		-	10,000
		-19,734	12,841

BALANCE SHEET

ASSETS

Figures in USD '000	Note	2020	2019
Fixtures, fittings, and equipment	6	628	673
Tangible assets		628	673
Investment in subsidiaries	7	95,715	86,809
Investment in associates	8	750	750
Derivative financial instruments	15	173	1,408
Deposits		145	145
Financial assets, non-current		96,783	89,112
Total non-current assets		97,411	89,785
Inventories		10,449	17,791
Trade and other receivables	9	35,585	35,096
Intercompany receivables		1,620	17,686
Prepayments		15,365	16,375
Derivative financial instruments	15	3,243	1,312
Cash and short-term deposits		41,304	59,421
Current assets		107,565	147,681
TOTAL ASSETS		204,977	237,466

EQUITY AND LIABILITIES

Figures in USD '000	Note	2020	2019
Share capital		5,134	5,134
Revaluation reserve according to the equity method		33,476	24,260
Cash flow hedge reserves		-1,730	-4,405
Retained earnings		110,955	139,166
Proposed dividend		0	10,000
Total equity	10	147,835	174,155
Derivative financial instruments	15	3,063	1,763
Total non-current liabilities		3,063	1,763
Trade and other payables	11	36,812	48,798
Intercompany payables		13,777	5,456
Derivative financial instruments	15	1,892	5,237
Income tax payable		1,598	2,057
Total current liabilities		54,079	61,548
Total liabilities		57,142	63,311
TOTAL EQUITY AND LIABILITIES		204,977	237,466

STATEMENT OF CHANGE IN EQUITY

	Share capital	Cash flow hedge reserve	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
<i>Figures in USD '000</i>						
Equity at 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 at 31 December 2020	5,134	-1,730	33,476	110,955	-	147,835

	Share capital	Cash flow hedge reserve	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	Total
<i>Figures in USD '000</i>						
Equity at 1 January 2019	5,134	-11,064	13,510	147,293	5,000	159,873
Net result	-	-	11,265	-8,424	10,000	12,841
Dividend paid out	-	-	-	-	-5,000	-5,000
Fair value adjustments	-	6,659	-733	-	-	5,926
Other adjustments	-	-	218	297,00	-	515
Equity at 31 December 2019	5,134	-4,405	24,260	139,166	10,000	174,155

Note 1 – Accounting policies

The Parent Company Financial Statements for 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 recognized in US Dollar. For 2020 the average USD/DKK rate of exchange was 653.43 and the closing rate on 31 December 2020 was 605.76.

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 exceptions.

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.

Income statement and balance sheet

Earnings from investments in subsidiaries and associates

In the Parent Company's income statement, 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 at USD 0.0 million, and a provision to cover the negative balance is recognised if such a present obligation for this purpose exists.

Leases

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

Note 2 – Revenue

Figures in USD '000	2020	2019
Panamax	184,681	191,109
Supramax	289,597	367,071
Handysize	11,102	2,413
MPP, Parcel Services and African Services	81,666	69,727
Total	567,046	630,320

Figures in USD '000	2020	2019
Income from freight	401,842	446,868
Income from time charter	165,204	183,452
Total	567,046	630,320

Note 3 – Remuneration to the auditor appointed at the general meeting

Figures in USD '000	2020	2019
Audit	115	108
Other assurance service	-	-
Tax consultancy	8	13
Other services	-	-
Total	123	121

Note 4 – Staff costs

Figures in USD '000	2020	2019
Salaries	6,279	6,979
Pensions - defined contribution plan	506	421
Other staff costs	201	70
Total	6,986	7,470
Average number of employees	51	55

With regards to remuneration of management, please refer to note 6 to the consolidated financial statements.

Note 5 – Tax

Figures in USD '000	2020	2019
Current tax on profit for the year	-1,502	-1,504
Deferred tax on profit for the year	0	-132
Tax on profit for the year	-1,502	-1,636
Adjustments related to previous years - current tax	-228	140
Adjustments related to previous years - deferred tax	0	-2
Tax in the income statement	-1,730	-1,498

Note 6 – Fixtures, fittings and equipment

Figures in USD '000	2020	2019
Cost at 1 January	5,130	4,650
Additions for the year	742	480
Disposals	-209	-
Cost at 31 December	5,663	5,130
Depreciations at 1 January, accumulated	-4,457	-3,957
Depreciation for the year	-787	-500
Depreciation on disposals	209	-
Depreciations at 31 December, accumulated	-5,035	-4,457
Carrying amount at 31 December	628	673

Expected useful life: 3-10 years 3-10 years

Note 7 – Investments in subsidiaries

Figures in USD '000	2020	2019
Cost at 1 January	16,958	17,751
Exchange rate adjustment	-	-793
Cost at 31 December	16,958	16,958
Value adjustment at 1 January	68,538	54,797
Share of result for the year	8,734	12,854
Change in equity in subsidiaries	79	733
Other changes	403	154
Value adjustment 31 December	77,754	68,538
Carrying amount	94,712	85,496
The carrying amount can be specified as follows:		
Investment in subsidiaries	95,715	86,809
Negative equity in subsidiaries, deducted intercompany receivables	-1,003	-1,313
Carrying amount	94,712	85,496

	Ownership	Ownership
Ultrabulk Shipholding Singapore Pte. Ltd	100%	100%
Ultrabulk (USA) Ltd.	100%	100%
Ultrabulk do Brazil Ltda	100%	100%
Cedrelia Transport Ltd.	100%	100%
Ultrabulk South Africa (Pty) Ltd.	100%	100%
Ultrabulk Cargo Services GmbH	100%	100%
Ultrabulk S.A.	100%	100%
Ultrabulk (Australia) Pty. Ltd.	100%	100%
Ultrabulk Logistic Services (India)	51%	51%

Note 8 – Investments in associates

Figures in USD '000	2020	2019
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	67
Exchange rate adjustment	-	218
Impairment	-	-262
Share of the result for the year	-	-682
Accumulated value adjustment at 31 December	-658	-658
Carrying amount at 31 December	750	750
The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	750	750

Pérola S.A. is in the process of formal liquidation. The carrying amount of USD 0.8 million is the expected liquidation proceeds of Pérola S.A., when the entity is fully liquidated.

Note 9 – Trade and other receivables

Figures in USD '000	2020	2019
Customers (trade receivables)	24,352	19,251
Other receivables	11,233	15,845
Total	35,585	35,096

Note 10 – Equity and allocation of result

Share capital

With regards to share capital, please refer to note 18 to 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 goals or policies are set for the Parent Company.

Note 11 – Trade and other payables

Figures in USD '000	2020	2019
Trade payables	13,706	3,247
Accrued expenses	8,957	29,054
Deferred income	14,149	16,497
Total	36,812	48,798

Note 12 – Contingent liabilities

Guarantees

Figures in USD '000	2020	2019
Guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated company	25,250	28,228
Ultrabulk A/S has issued guarantees for time charter hires to subsidiaries	349,463	390,548
Ultrabulk A/S has issued guarantees for remaining payments under new building contracts	-	17,500
Total	374,712	436,276

Joint taxation

The Company is in joint taxation with other Danish Companies in the Naviera Ultrana Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. The Danish companies are jointly and individually liable for the joint taxation. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

Contingent liabilities

For information regarding contingent liabilities, please refer to note 25 to the consolidated financial statements.

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 vessel 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.

Figures in USD '000	2020	2019
Operating leases		
Within one year	169,448	306,067
Between 1 - 5 years	170,117	385,456
More than 5 years	-	2,465
Total	339,565	693,988

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

COAs and Time Charter commitments as service provider	2020	2019
Within one year	105,061	105,072
Between 1 - 5 years	282,225	351,443
More than 5 years	6,640	46,324
Total	393,926	502,839

Note 14 – Financial instruments

Reference to note 25 in the Group.

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 is in compliance with the criteria for cash flow hedge accounting.

The bunker hedges are entered simultaneously with the Contracts of Affreightment (CoA), as part of the Group'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. The trade dates are between 01.01.2021 and 31.12.2026, and 60% is realised within 1 year and 15% is realised within 1-2 years. The nominal value as at 31.12.2020 is USD 40.5 million and a drop in bunker prices with 10% will have a negative impact of USD 4 million on equity.

The Group 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 criteria's are in compliance with the criteria for hedge accounting.

The FFA hedges are entered simultaneously with the cargo and vessel commitments as part of the Group's risk management. The trade dates are between 01.01.2021 and 31.12.2022 and 70% is realised within 1 year and 30% is realised within 1-2 years. The nominal value as at 31.12.2020 is USD 34.7 million and a drop in freight rates with 10% will have a positive impact of USD 3 million on equity.

The Group 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.

Hedge accounting reserve in equity

The hedge accounting reserve in equity is related to cash flow hedging financial derivatives and amount to USD -1.7 million (31 December 2019: USD -4.4 million).

Note 15 – Related party transaction

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.

Ownership:

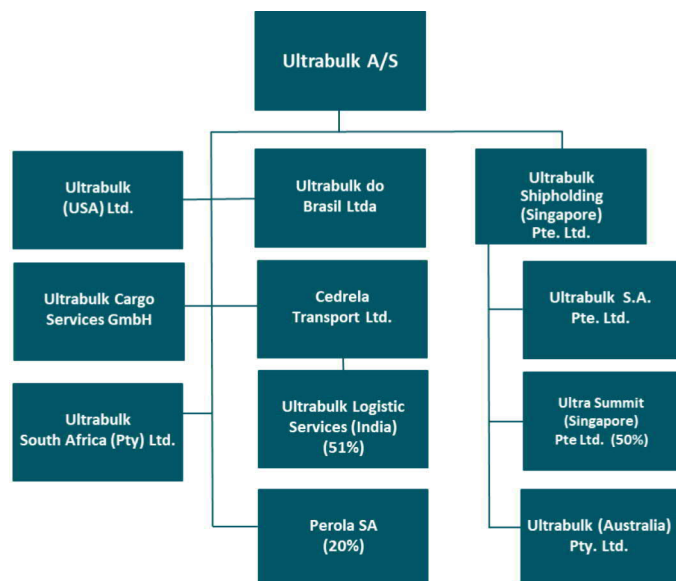
The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Ultrana Denmark ApS, Smakkedalen 6, 2820 Gentofte, Denmark. The consolidated financial statement of Ultrana Denmark ApS is available at the Company's address. The ultimate holding company of Ultrabulk A/S is Naviera Ultrana Limitada. Av. El Bosque Norte 500 Piso 19-20, 7550092 Las Condes, Santiago, Chile.

Note 16 – Subsequent events

For subsequent events, please refer to note 29 to the consolidated financial statements.

Company Structure



Definitions of Key Figures and financial ratios

Gross profit margin	= $\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBITDA margin	= $\frac{\text{EBITDA} \times 100}{\text{Revenue}}$
Return of equity in %(ROE)	= $\frac{\text{Profit or loss for the year} \times 100}{\text{Average equity excluding minority interests}}$
Payout ratio	= $\frac{\text{Dividend} \times 100}{\text{Profit or loss for the year}}$
Equity ratio	= $\frac{\text{Equity at year-end, excluding minority interests} \times 100}{\text{Total assets}}$
USD exchange rate at year-end	= The USD exchange rate quoted at the NASDAQ OMX Copenhagen at the balance sheet date
Average USD exchange rate	= The average USD exchange rate quoted at the NASDAQ OMX Copenhagen for the year
Net interest-bearing debt	= Interest-bearing debt less of cash equivalents at year end

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