2022

Annual Report Ultrabulk A/S

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

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ULTRABULK AT A GLANCE

ABOUT ULTRABULK

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

Via the Ultranav shipping group, Ultrabulk has strong connections to South America, Chile in particular, but also a long tradition in Danish shipping with roots dating back to 1897 and "Rederiet Myren", which was originally part of the more commonly known East Asiatic Company (EAC).

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

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

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

Ultrabulk also operates in several specialised parcel services with substantial synergies to our core business. It is a strategic focus to continue developing additional specialised trades as they are very important elements in future growth of the fleet of around 165-200 vessels.

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

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

A partner you can trust

Our fleet

MPP
Up to 25,000 dwt – Up to 20 vessels

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

Supramax
45,000-65,000 dwt - Up to 80 vessels

Panamax
65,000-85,000 dwt - Up to 40 vessels

Total fleet: 165 to 200 vessels

OUR ORGANISATION

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

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

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

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

Ultrabulk organisation

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

Locations

Cape Town	Copenhagen	Dubai	New York
Rio de Janeiro	Santiago	Singapore	Sydney

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 on board ships and ashore.

OUR PEOPLE

Our company motto “A partner you can trust” is deeply embedded in everything we do and the way we act. It is simply the DNA of Ultrabulk.

We are working actively on creating a diverse and inclusive company. On a daily basis, this means that we have over 28 nationalities working at our organisation.

With excellence and passion as two of our company values, it is immensely important to us that we have a talented and motivated staff. We make sure to empower our teams to execute the strategy and focus on continued development, both on management level, team level and a personal level.

Keeping a healthy work-life balance as well as a pleasant and inclusive working environment for all employees is imperative to retain a motivated staff.

During 2022, Ultrabulk hosted a teambuilding event for all employees, offering an opportunity for the team to meet in person after an extended period apart due to the pandemic. The team met for productive business as well as teambuilding activities. Opportunities like this serves to bring the teams closer together.

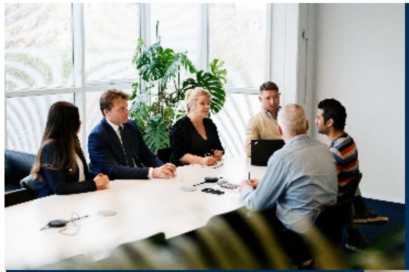
As a result of the corona pandemic there has been a worldwide shift regarding flexibility in the workplace. It became evident that flexibility and the opportunity to work from home is of great value to employees and improves well-being and work/life balance. For our shore-based staff we have introduced a hybrid working model, giving the opportuniy to work home/outside the office premises and in general we offer a much more flexible work life.

Men/women ratio

72/28

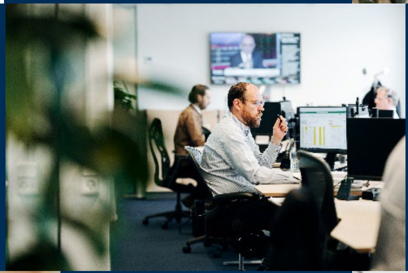
Average age

42



Staff

160



Average services years

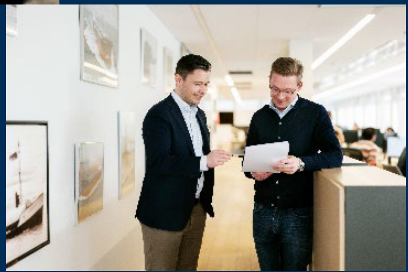
6.7

Nationalities

28

Offices

8



OUR OFFICES

Ultrabulk had 160 employees by the end of 2022, strategically located in offices in Cape Town, Copenhagen, Dubai, New York, Rio de Janeiro, Santiago, Singapore, and Sydney.

Alongside our physical offices, we also have employees working remotely from Shanghai, Brisbane and London.

PART OF A LARGE AND DIVERSIFIED SHIPPING GROUP

Ultrabulk is part of the Ultranav group, a privately owned shipping company active for over six decades and operating globally with offices in 17 countries.

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

As of 31 December 2022, the Ultranav Group counts 3,743 employees (sea and shore) and operates a fleet of 422 ocean going vessels and tugs.

Ultrabulk
Navigator Gas* (*27.5% shareholder)
Cape Tankers* (*87.5% shareholder)
Austral Product Tankers
Ultratank
Horizon
Ultranav Chile
Antares
Navitranso* (*49% shareholder)
International Shipowning
Ultratug
Wilson Sons UltraTug Offshore* (*50% shareholder)

Number of vessels and tugs in our fleet Total: 422

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

2022 HIGHLIGHTS

Another record year following favourable market conditions

The dry bulk market conditions remained favourable during 2022, and only towards the end of the year, did we experience the diminishing effects of the COVID inefficiencies, causing the freight rates to decrease to a more 'normal' level, when seen in a historical perspective. Favourable market conditions and excellent performance both commercially and operationally contributed to the record result for Ultrabulk.

Total physical ship days in 2022 were 63,208 days, compared to 58,906 days in 2021. Cargo lifted was 55.1 million tons in 2022 against 59.3 million tons in 2021.

Specialised services and freight trading contributed significantly

Our specialised business units, African Services, Parcel Services and MPP Services, performed well beyond expectations and at the same time, activity increased to a maximum of 60 vessels employed in the trades. In addition to the specialised services, we experienced solid performance on short-term freight trading activities for the full cargo segments. After a strategic realignment of Ultrabulk during 2022, we are pleased that the specialised services and short-term freight trading is performing so well. It is our strategic objective to keep expanding this part of our business.

Ukraine/Russia war

While being a terrible situation, the ongoing war between Ukraine and Russia does not have any significant effects on Ultrabulk A/S. We did not in the past have any contracts in Russia or with Russian counterparties and in general did limited business in Ukraine and Russia. The very little business we had ceased as the war started.

Strategic objectives

In addition to the increased strategic focus on specialised services and freight trading, Ultrabulk pursues a strategy founded in three separate pillars:

Environmental transition

Ultrabulk is actively undergoing an environmental transition, having disposed of more than 10 vessels with an inferior environmental rating, while also at the same time securing new and environmental vessels for delivery within the next couple of years. We envisage to continue the fleet renewal in the years to come.

In addition to the fleet renewal, we are actively working on retrofitting and upgrading the existing fleet, including both owned and chartered vessels.

Ultrabulk is in close dialogue with partners to construct a series of dual fuel bulk carriers for delivery in 2026 and 2027. We expect to close these negotiations during 2023.

Digitalisation

During the past couple of years, Ultrabulk has been pursuing an aggressive strategy to digitalise the company. We are pursuing digitalisation opportunities across the entire company, and we are pleased to report that the digital focus is already yielding significant competitive advantages and efficiency gains.

More than 10 percent of our workforce is employed in digitalisation of the company, and we envisage this to further increase in the years to come, taking due consideration of the optimisation achieved.

Diversity

We are actively pursuing an ambition to be truly diverse in our team. Our ambition on diversity stretches much beyond gender, so that we will be an attractive workplace for teammates with different cultural, age and religious background, just to name a few. Initiatives include actively seeking to ensure a gender balanced pipeline of qualified candidates in the recruitment process. We have also been able to offer attractive schemes for people of age and team members living far away without forcing them to relocate. Furthermore, we are working on creating opportunities for people with disabilities. We are striving towards creating a truly inclusive culture to the benefit of our employees, our customers and the company alike.

GROUP KEY FIGURES AND RATIOS

INCOME STATEMENT (USD '000)	2022	2021	2020	2019	*Restated *2018
Revenue	2,143,813	1,762,814	900,043	1,005,634	1,047,614
Gross profit (Net earnings from shipping activities)	304,018	258,190	141,170	160,669	161,660
Operating profit before depreciation, amortization and impairment loss (EBITDA)	256,870	225,485	120,544	136,738	137,473
Operating profit (EBIT)	179,210	88,621	-2,267	33,305	35,070
Net financials	-6,001	-11,586	-12,104	-16,921	-18,647
Profit before tax	172,834	76,660	-14,371	14,795	16,148
Net result	171,595	74,997	-16,257	13,159	14,638
STATEMENT OF FINANCIAL POSITION (USD '000)					
Non-current assets	251,859	256,483	379,280	447,914	500,856
Current assets	501,986	374,391	209,383	213,439	190,017
Total assets	753,845	630,874	588,663	661,353	690,873
Equity, excl. non-controlling interests	345,101	200,451	135,322	158,101	143,525
Non-controlling interests	-	-	-	64	64
Non-current liabilities	88,022	126,615	233,826	289,054	351,336
Current liabilities	320,722	303,808	219,515	214,134	195,948
Net interest-bearing (liabilities)/assets, including leases	60,952	-106,046	-259,581	-281,770	-332,507
Net interest-bearing (liabilities)/assets, excluding leases	304,084	134,298	52,163	62,437	30,076
Cash and cash equivalents, including restricted cash	304,084	92,461	76,746	91,932	74,395
CASH FLOW (USD '000)					
From operating activities	290,093	206,134	131,797	150,056	143,622
From investing activities	128,243	-33,947	2,444	13,428	-19,808
- of which relates to investment in tangible assets	-64,033	-1,008	-19,481	-26,056	-43,516
From financing activities	-186,415	-182,464	-153,475	-146,259	-118,774
Total net cash flow	231,921	-10,277	-19,234	17,225	5,040
Change in restricted cash	24,510	-25,992	-4,048	-280	-400
Total net cash flow, excluding changes in restricted cash	207,411	15,715	-15,186	17,505	5,440
FINANCIAL RATIOS					
Gross profit margin (Net earnings from shipping activities margin)	14.2%	14.6%	15.7%	16.0%	15.4%
EBITDA margin	12.0%	12.8%	13.4%	13.6%	13.1%
Return on equity (ROE)	49.7%	44.7%	-11.1%	8.7%	10.6%
Equity ratio	45.8%	31.8%	23.0%	23.9%	20.8%
Physical ship days in the year	63,208	58,906	50,274	51,521	52,619

* The Group has implemented IFRS 16 with full retrospective effect. Comparatives are adjusted. Adjusted figures for 2018 are unaudited.

FINANCIAL REVIEW

2022 FINANCIAL PERFORMANCE

Results

Revenues increased to USD 2,144 million, a 22% increase on last year's revenue. The increase in revenues was linked to positioning of vessels, solid results from short-term freight trading activities and a strong performance within our Specialised services.

Gross profit was USD 304 million, up from USD 258 million last year, corresponding to a gross margin of 14.2% against 14.6% in 2021.

EBITDA grew to USD 257 million (USD 225 million in 2021), corresponding to an EBITDA margin of 12.0% (12.8% in 2021).

Depreciations amounted to USD 114 million against USD 140 million in 2021. Depreciations relate mainly to right-of-use vessels.

Gain from sale of vessels amounted to USD 36 million.

Financial items amounted to a net expense of USD 6 million against a net expense of USD 12 million in 2021. Most financial expenses relate to interest expenses on lease liabilities.

Income tax amounted to USD 1 million and consist primarily of tax expenses under The Danish Tonnage Tax Scheme.

Net result amounted to a profit of USD 172 million, up from USD 75 million in 2021, which is significantly above the expectations set out last year. The increase in profits is related to positioning of vessels, solid results from short-term freight trading activities, a strong performance within our Specialised services and gains from sale of vessels.

Balance sheet

Total assets amounted to USD 754 million, against USD 631 million in 2021.

Non-current assets totalled USD 252 million (USD 256 million in 2021) of which USD 230 million was Right-of-use assets (USD 229 million in 2021).

Current assets totalled USD 502 million, up from USD 374 million mainly due to a significant increase in cash. The cash, including restricted cash, amounted USD 304 million at the end of 2022 against USD 92 million last year.

Total liabilities amounted to USD 409 million compared to USD 430 million in 2021. The main part of the liabilities comprised of lease liabilities which amounted to USD 243 million (USD 254 million at the end of 2021).

Total equity increased to USD 345 million, up from USD 200 million at the end of 2021, driven total comprehensive income of USD 190 million which were only partly offset by a dividend of USD 45 million.

Return on equity was 49.7% (44.7% in 2021) and equity ratio was 45.8% at the end of 2022 (31.8% at the end of 2021).

Cash flow

The cash flow, excluding movements in restricted cash, was a cash inflow of USD 207 million against an inflow of USD 16 million last year.

Cash flow from operating activities were an inflow of USD 290 million (USD 206 million in 2021), mainly related to cash generated from the shipping activities.

Cash flow from investing activities were an inflow of USD 128 million, against an outflow USD 34 million in 2021, driven by sale of vessels, repayment of a loan from a related company as well as a decrease in restricted cash deposited at clearing houses.

Cash flow from financing activities were an outflow of USD 186 million (USD 182 million in 2021) and is mainly related to repayment of lease liabilities and pay-out of dividend to shareholders.

2023 OUTLOOK

Goodbye COVID, welcome strong fundamentals!

The dry bulk market was positively impacted by the inefficiencies of the COVID pandemic both in 2021 and 2022. Our assessment shows that these inefficiencies have largely vanished, and that the market going forward will have to rely on a ‘normalised’ supply and demand balance.

Despite the strong market experienced in the past couple of years, we have registered very limited contracting of new vessels at the shipyards – actually, we are close to a historical low when looking at the orderbook in percentage of the total existing fleet. As opposed to other vessel types e.g., container vessels, the investors in dry cargo have shown significant discipline in ordering new vessels. The limited number of new vessels expected to deliver from the shipyards over the next five years firmly keeps the supply side under control and sets the scene for a sustainable dry bulk market over the coming years.

Based on the Group’s current coverage and the expected market conditions, Ultrabulk expects a more normal year in 2023 with a net result of the Group and the Parent Company in the range of USD 20-40 million.

OUR BUSINESS

BUSINESS MODEL

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

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

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

RISK MANAGEMENT

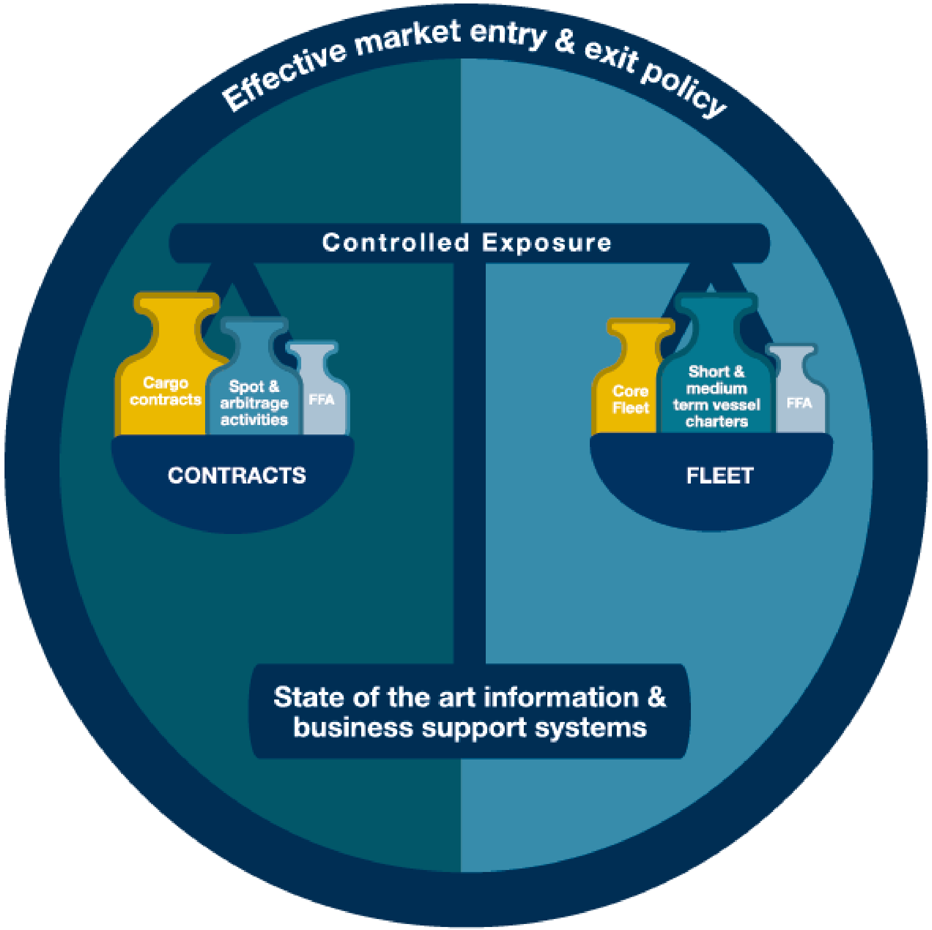
Ultrabulk's strategic focus is on empowering each business segment, enabling them to enter new contracts, to assess risks and to determine the best way forward in a reliable and efficient manner.

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

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

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

The following pages include a review of those risks that are considered material to Ultrabulk. Reference is also made to note 5.4 for a review of financial risks to which Ultrabulk is exposed through its shipping activities.



RISK MANAGEMENT

Freight rates

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

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

The Group utilises risk management systems to control the market value of all open positions. Based on these risk systems, the Group can monitor market positions daily and utilize Forward freight agreements (FFAs) as a hedging instrument to reduce exposure from an imbalanced portfolio.

Counterparty risk

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

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

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

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

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

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

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

RISK MANAGEMENT

IT & cyber security risks

It & cyber security is important because it protects all categories of data from theft and damage. This includes sensitive data, personal data and information systems. Both inherent risk and residual risk are increasing in this area, driven by global connectivity and usage of cloud services to store sensitive data and personal information. Due to this the Group is no longer able to rely solely on out-of-the-box cybersecurity solutions like antivirus software and firewalls. It is important to cover all fields of cybersecurity to stay well-protected as cyber threats may arise from any level of the organisation.

To mitigate these increasing risks, the Group is conducting awareness training on all organisational levels. Additionally, the Group is continuously assessing user access and sign-in patterns to reduce user risk and system vulnerability. To keep the platforms and data available to our users at all times, without compromising IT security, the Group has migrated all on-premise data to the Cloud and centralised identity governance to all systems. Furthermore, all data centers are outsourced to specialised service providers who monitor traffic and backs up data on daily basis. All internal IT systems are running in an outsourced mirrored environment which allows for quick data and system restoration in accordance with our Disaster Recovery Plan.

Sanction Risk

Ultrabulk conducts business worldwide and is committed to obeying all applicable economic sanctions and trade control laws, rules and regulations, including identifying, managing and minimising risks of violation.

To mitigate risk related to sanctions compliance Ultrabulk implemented a full set of sanctions compliance procedures, including automated post fixture sanctions screening of counterparts and vessels together with sanctions awareness training.

Fuel prices

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

Piracy

From January to June 2022, there were 58 incidents of piracy and armed robbery against ships. While still high, this number is the lowest since 1994. Attacks in the Gulf of Aden have been steadily declining over the last few years, the Gulf of Guinea on the African west coast remains a dangerous region, though the efforts of multinational naval vessels have helped reduce piracy incidents significantly. Ultrabulk is following the guidelines made by the UN subsidiary International Maritime Organisation (IMO), the leading hull underwriters, and we adhere to Best Management Practices produced and supported by industry organisations.

SUSTAINABILITY IN THE ULTRANAV GROUP

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

Worldwide focus on the climate is intensifying rapidly. According to IMO, shipping accounts for 85% of the world trade and 2.5% of global greenhouse gas emissions. While shipping remains the most carbon-efficient means of global transportation, the industry still has an important role to play on the road to a sustainable future.

Climate targets

Ultranav has identified the following climate targets:

- By 2030, Ultranav is committed to reducing the carbon intensity of the fleet by 50% compared to 2008.
- By 2045, Ultranav aims to have a zero-emission fleet in domestic commercial operations.
- By 2050, Ultranav is committed to having a zero-emission fleet in international commercial operations and to be climate neutral.

Climate actions

- Chartered fleet: Ultranav is committed to chartering zero emission vessels when they become commercially viable and available from 2030 latest.
- Owned fleet: Since 2021, Ultranav has been committed to ordering only zero emission ready vessels and from 2030 only zero emission vessels.
- Ultranav is committed to developing and improving digital and other management tools to measure GHG emissions from the full supply chain to compare activities and optimise operations.
- Ultranav will measure and disclose GHG emission intensity and total GHG emissions from owned and operated vessels.

Decarbonisation strategy

Ultranav has identified 8 interconnected pillars that will navigate us into a lower emission future.

More information

Statement on corporate responsibility, cf Danish Financial statements Act 99 a

Find more information about our parent company Ultranav International ApS' activities within climate & environment, people and anti-corruption in our sustainability report.

Ultrabulk.com/sustainability

CORPORATE GOVERNANCE

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

Remuneration of Board of Directors

The Board of Directors has refrained from receiving any compensation for their work in 2022, unchanged from 2021. In 2023, likewise, the members of the Board of Directors intend to refrain from receiving any compensation for their work. If Ultrabulk's activities require a temporary, but extraordinary workload by the Board, a fee may be authorised. The members of the Board receive no incentive pay for their work on the Board.

Remuneration of Executive Management

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

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

Gender composition

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

According to the requirements in Danish Financial Statement Act § 99b, 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 (Head of area and higher) since early 2015, however not with equal representation. The representation of women in the management team has not increased in 2022 and the aim is to increase the female representation in the coming years.

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

With regards to the composition of Board of Directors, a target was set in 2020 to appoint at least one female member within four years from setting this ambition, which is by the end of 2024. No female member was appointed to the Board of Directors in 2022, primarily caused by the female representation in the shipping industry in general, but we will continue to work towards reaching this ambition before the end of 2024.

The Board of Directors comprises of four male members at the end of 2022.

Data ethics

In Ultranav, we use and process data with the overall purpose of creating value for our customers, partners, employees and society.

Ultranav only does business with B2B customers and therefore, to a limited extend, collects and processes sensitive data. Ultranav also uses data to innovate our business and to optimise the vessels' performance to secure a lower impact on the environment. All the information we receive related to customers, partners and employees is treated in a safe manner ensuring transparency, responsibility and security.

SIGNATURES

STATEMENT BY THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Ultrabulk A/S for the financial year 1 January – 31 December 2022.

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and the Parent Company Financial Statements have been prepared in accordance with the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Group and the Parent Company and of the results of the Group and Parent Company operations and consolidated cash flows for the financial year 1 January - 31 December 2022.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Gentofte, 1 March 2023

EXECUTIVE MANAGEMENT

Hans-Christian Olesen
Chief Executive Officer

Oskar Fabricius
Chief Financial Officer

Klaus Munk Andersen
Executive Member

BOARD OF DIRECTORS

Per von Appen
Chairman

Peter Stokes
Board Member

Jan Vermeij
Board Member

Enrique Ide
Board Member

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Ultrabulk A/S

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 in accordance with the Danish Financial Statements Act.

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 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statement of comprehensive income and cash flow statement for the Group ("financial statements").

Basis for opinion

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

Statement on the Management's review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in 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 further requirements in 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, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Hellerup, 1 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
MNE no. 33226

Jacob Brinch
State Authorised Public Accountant
MNE no. 35447

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

PROFIT OR LOSS

1 JANUARY – 31 DECEMBER

USD thousands	Note	2022	2021
Revenue	2.1	2,143,813	1,762,814
Vessel operating costs and voyage related expenses	2.2	-1,839,795	-1,504,624
Gross profit (Net earnings from shipping activities)		304,018	258,190
Other income		2,224	-
Other external expenses	6.2	-7,805	-7,547
Staff costs	2.3	-41,567	-25,158
Operating profit before depreciation (EBITDA)		256,870	225,485
Depreciations	3.3	-113,507	-139,912
Gain/(loss) from sale of vessels, net		35,548	3,000
Share of Joint Ventures' profit after tax	3.5	299	48
Operating profit (EBIT)		179,210	88,621
Share of associates' profit after tax	3.4	-375	-375
Financial income	5.1	3,142	495
Financial expenses	5.1	-9,143	-12,081
Profit before tax		172,834	76,660
Tax	2.4	-1,239	-1,663
Net result		**171,595**	**74,997**

STATEMENT OF OTHER COMPREHENVISE INCOME

1 JANUARY – 31 DECEMBER

USD thousands	Note	2022	2021
Net result		171,595	74,997
Items that will be reclassified subsequently to the Consolidated Profit or Loss when specific conditions are met:			
Cash flow hedges, gain/loss for the year (net)	5.6	18,055	-9,868
Other comprehensive income, net of tax		18,055	-9,868
Total comprehensive income		**189,650**	**65,129**

CONSOLIDATED BALANCE SHEET

ASSETS

USD thousands	Note	2022	2021
Vessels	3.1	-	-
Right-of-use assets	3.1	230,017	228,682
Fixtures, fittings, and equipment	3.1	1,327	959
Tangible assets	3.1	231,344	229,641
Investments in associates	3.4	-	375
Investments in Joint Ventures	3.5	18,537	18,238
Loans receivable from related companies		-	5,396
Derivative financial instruments	5.6	1,712	1,341
Receivable from subleases		-	1,242
Deposits		266	250
Financial assets, non-current		20,515	26,842
Total non-current assets		251,859	256,483
Inventories	4.2	38,155	35,133
Trade and other receivables	4.1	117,568	114,697
Receivables from related companies	4.1	3,098	57
Loans to related companies	4.1	-	46,086
Receivable from subleases		-	12,297
Prepayments	4.1	36,162	48,770
Income tax receivables		441	-
Derivative financial instruments	5.6	2,478	4,798
Cash and cash equivalents, including restricted cash	4.3	304,084	92,461
Assets classified as held for sale	3.2	-	20,092
Total current assets		501,986	374,391
Total assets		**753,845**	**630,874**

LIABILITIES

USD thousands	Note	2022	2021
Share capital	6.8	5,134	5,134
Retained earnings		183,508	161,915
Other reserves		6,457	-11,598
Proposed dividend		150,000	45,000
Total Equity		345,101	200,451
Lease liabilities	5.3	87,376	125,667
Derivative financial instruments	5.6	646	948
Total non-current liabilities		88,022	126,615
Trade and other payables	4.4	161,450	146,626
Payables to related companies	4.4	2,450	2,021
Interest bearing loans and borrowings	5.2	-	9,644
Lease liabilities	5.3	155,756	128,216
Derivative financial instruments	5.6	1,066	15,569
Income tax payable		-	1,732
Total current liabilities		320,722	303,808
Total liabilities		408,744	430,423
Total equity and liabilities		**753,845**	**630,874**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amount in USD thousands	Note	2022	2021
Profit/(loss) before tax		172,833	76,660
Instalments received from sub-lease receivables		12,466	12,308
Tax paid		-3,412	-1,626
Adjustment of other non-cash operating items	6.4	85,470	147,614
Change in working capital	6.5	22,736	-28,822
Net cash flows from operating activities		290,093	206,134
Investments in tangible assets		-64,033	-1,008
Sale of tangible assets		115,801	39,007
Loans to related companies		51,965	-45,954
Change in restricted cash	4.3	24,510	-25,992
Net cash flow from investing activities		128,243	-33,947
Free cash flow		418,336	172,187
Dividends paid to equity holders		-45,000	-
Repayment of loans	6.6	-9,951	-19,979
Interest payments on loans		-66	-1,057
Other cash flow related to loans		97	-
Repayment of lease liabilities	6.6	-123,283	-150,218
Interest payments on lease liabilities		-8,212	-11,210
Net cash flows from financing activities		-186,415	-182,464
Net change in cash and cash equivalents		**231,921**	**-10,277**
Cash and cash equivalents at 1 January		61,340	71,618
Net change in cash and cash equivalents		231,921	-10,277
Revaluation of cash deposits in foreign currencies		4,213	-
Cash and cash equivalents at 31 December		297,474	61,341
Restricted cash	4.3	6,610	31,120
Cash and cash equivalents		297,474	61,341
Cash and cash equivalents incl. restricted cash at 31 December		**304,084**	**92,461**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD thousands	Share capital	Cash flow hedge reserve	Proposed dividends	Retained earnings	Equity
Equity as 1 January 2022	**5,134**	**-11,598**	**45,000**	**161,915**	**200,451**
Distribution of net result			150,000	21,595	**171,595**
Derivatives designated as cash flow hedges		13,842			**13,842**
Other cash flow hedges		4,213			**4,213**
Other comprehensive income for the year		**18,055**			**18,055**
Total comprehensive income for the year	**-**	**18,055**	**150,000**	**21,595**	**189,650**
Distributed dividend			-45,000		**-45,000**
Transactions with shareholders			**-45,000**		**-45,000**
Equity as 31 December 2022	**5,134**	**6,457**	**150,000**	**183,510**	**345,101**
Equity as 1 January 2021	**5,134**	**-1,730**	**-**	**131,918**	**135,322**
Distribution of net result			45,000	29,997	**74,997**
Cash flow hedge		-9,868			**-9,868**
Other cash flow hedges					
Other comprehensive income for the year		**-9,868**			**-9,868**
Total comprehensive income for the year	**-**	**-9,868**	**45,000**	**29,997**	**65,129**
Distributed dividend					
Transactions with shareholders					
Equity as 31 December 2021	**5,134**	**-11,598**	**45,000**	**161,915**	**200,451**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION

1.1 Basis of reporting

1.2 Significant accounting judgements and estimates

1.1 BASIS OF REPORTING

§ GENERAL ACCOUNTING POLICIES

Ultrabulk A/S is a company domiciled in Denmark.

The Consolidated Financial Statements of Ultrabulk A/S for 2022 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Measurement basis

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

The Consolidated Financial Statements have been presented in USD thousands except when otherwise indicated. The DKK/USD rate applied at 31 December 2022 was 694.73 (2021: 656.12) and the average DKK/USD applied for the year was 707.82 (2021: 629.18).

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

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

Accounting standards effective in 2022

Ultrabulk A/S has adopted all new or amended and revised accounting standards and interpretations (IFRSs) endorsed by the EU effective for the accounting period beginning on 1 January 2022.

None of the amendments and interpretations, which were adopted for the first time in 2022, have had a significant impact on the Consolidated Financial Statements of the Group.

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

1.1 BASIS OF REPORTING (CONTINUED)

§ GENERAL ACCOUNTING POLICIES

Foreign currency translation

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

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

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

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

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

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

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

Applying materiality

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

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

Statement of Cash Flows

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

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

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

1.1 BASIS OF REPORTING (CONTINUED)

§ GENERAL ACCOUNTING POLICIES

Statement of Cash Flows (continued)

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

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

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

Statement of changes in equity

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

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

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

Financial ratios

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

1.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

§ ACCOUNTING POLICIES

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

Significant judgements

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

Assessing indicators of impairment and CGUs of right-of-use vessels (note 3.1)

Significant estimates

Management has made the following estimates which are considered to be significant to the Consolidated Financial Statements:

Measurement of non-lease components (note 5.3)

SECTION 2: PROFIT OR LOSS

2.1 Revenues

2.2 Vessel operating costs and voyage related expenses

2.3 Staff costs

2.4 Tax

2.1 REVENUES

§ ACCOUNTING POLICIES

Revenue

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

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

Disaggregation of revenue

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

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

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USD thousands	2022	2021
Panamax	326,566	311,561
Supramax	672,198	598,283
Handysize	465,191	374,921
Specialised services	679,858	478,049
Revenue by type of vessel	2,143,813	1,762,814

USD thousands	2022	2021
Income from freight	1,680,172	1,374,754
Income from time-charter	461,873	377,035
Other	1,768	11,025
Revenue by type of contract	2,143,813	1,762,814

2.2 VESSEL OPERATING COSTS AND VOYAGE RELATED EXPENSES

§ ACCOUNTING POLICIES

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

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

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

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

USD thousands	2022	2021
Bunkers	-422,128	-274,199
Other voyage related expenses	-267,838	-224,404
Voyage related expenses	-689,966	-498,603
Time-Charter hire, short-term leases	-1,077,326	-913,496
Operating expenses, long-term leases (non-lease component)	-72,267	-88,592
Other	-236	-3,934
Time-Charter hire and operating expenses	-1,149,829	-1,006,022
Vessel operating costs and voyage related expenses	-1,839,795	-1,504,625

2.3 STAFF COSTS

§ ACCOUNTING POLICIES

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

USD thousands	2022	2021
Wages and salaries	-39,773	-23,772
Pensions – defined contribution plans	-1,298	-1,021
Other staff costs	-497	-365
Staff cost to on-shore employees	-41,567	-25,158
Staff costs	-41,567	-25,158
Average number of employees	143	104

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

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

The increase in the average number of employees is linked to a transfer of business activities which were previously held in a related company. The related company provided shared business services to the Ultrabulk Group prior to the transfer and were remunerated through an administration fee which were recognised as "Other external expenses". The transfer was completed in the beginning of 2022 and comprised 24 employees.

2.4 TAX

§ ACCOUNTING POLICIES

Taxes

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

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

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

USD thousands	2022	2021
Current tax on profit for the year	-1,357	-1,615
Tax on profit for the year	1,357	-1,615
Adjustments related to previous years – current tax	118	-48
Tax in the income statement	-1,239	-1,663

Computation of effective tax rate (%):

Statutory corporate income tax in Denmark	22.0%	22.0%
Effects from Tonnage Tax Scheme	-18.0%	-21,3%
Effects of adjustments related to prior years	-0.1%	0.6%
Deviation in foreign subsidiaries' tax rates compared to the Danish tax rate (net)	-3.3%	1.4%
Effective tax rate	0.6%	2.2%

§ ACCOUNTING POLICIES (CONTINUED)

Deferred tax

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

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

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

SECTION 3: INVESTED CAPITAL

3.1 Tangible assets & right-of-use assets

3.2 Assets classified as held for sale

3.3 Depreciations

3.4 Investments in associates

3.5 Investments in joint ventures

3.1 TANGIBLE ASSETS & RIGHT-OF-USE ASSETS

§ ACCOUNTING POLICIES

Tangible assets

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

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

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

• Fixtures, fittings and equipment: 2 - 10 years

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

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

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

Right-of-use assets

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

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

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

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

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

3.1 TANGIBLE ASSETS (CONTINUED)

§ ACCOUNTING POLICIES

Impairment of tangible assets

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

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

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

! ACCOUNTING JUDGEMENTS

DERTERMINING CGU

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

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

3.1 TANGIBLE ASSETS (CONTINUED)

! ACCOUNTING JUDGEMENTS

ASSESSING INDICATORS OF NEED FOR IMPAIRMENT

Management's assessment of whether there is any indication that an asset, or a CGU, may be impaired comprise, among other things, financial performance, broker values, newbuilding prices, and freight and time charter rates. This assessment involves significant judgment.

Climate-related risks in the near future relate mainly to the freight rates that a vessel is able to reach depending on its environmental classification and performance. This was taken into consideration when we determined the freight and time charter rates. Long-term climate-related risks were not regarded as a significant factor in the impairment test as the majority of operated vessels are chartered and such risks remain with the owners of the vessels.

The market conditions in dry bulk remained favourable during 2022, a continuation of the fleet inefficiencies and strong demand which began in 2021 on the back of COVID disruptions. Towards the end of 2022, however, we did experience diminishing effects of the favourable market conditions, which is leading to – from a historical perspective – normalised market conditions.

Macro-economic and political factors add a general uncertainty and volatility to freight rates linked to, but not limited to, the Ukraine/Russia war, trade tensions between the United States and China, and the indications of a general economic downturn fuelled by high inflation rates and slowing economic growth.

On the other hand, a low newbuilding orderbook for dry cargo carriers does indicate generally healthy market fundamentals, which are expected to keep long- and medium-term freight rates at a sustainable level. Consequently, the expected long- and medium-term freight rates are expected to continue to generate positive free cash flow supporting the carrying amount of the right-of-use vessels. As such, no indications of need for impairments were identified.

3.1 TANGIBLE ASSETS (CONTINUED)

2022

USD thousands	Fixtures, fittings and equipment	Right-of-use assets	Total
Costs as of 1 January, accumulated	6,931	641,945	648,876
Additions	1,472	149,142	150,614
Disposals	-4,354	-128,894	-133,248
Remeasurements	-	-15,899	-15,899
Transferred to assets classified as held for sale	-	-	-
Cost at 31 December, accumulated	4,050	646,293	650,343
Depreciation and impairments at 1 January, accumulated	-5,972	-413,263	-419,235
Depreciation	-1,104	-112,403	-113,507
Depreciation on disposals	4,354	109,389	113,743
Transferred to assets classified as held for sale	-	-	-
Depreciation and impairment at 31 December, accumulated	-2,723	-416,276	-418,999
Carrying amount 31 December	1,327	230,017	231,344

2021

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

3.2 ASSETS CLASSIFIED AS HELD FOR SALE

§ ACCOUNTING POLICIES

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

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

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

USD thousands	2022	2021
Carrying amount at 1 January	20,092	15,900
Sold during the year	-20,092	-15,900
Transferred to assets classified as held for sale	-	20,092
Carrying amount at 31 December	-	20,092

The vessel classified as held for sale at the end of 2021 was sold and delivered to its new owners in January 2022.

3.3 DEPRECIATIONS

§ ACCOUNTING POLICIES

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

USD thousands	2022	2021
Depreciations on owned vessels	-	-2,070
Depreciations on right-of-use assets	-112,403	-137,067
Depreciations on fixture, fittings, and equipment	-1,104	-775
Depreciations	113,507	-139,912

3.4 INVESTMENTS IN ASSOCIATES

§ ACCOUNTING POLICIES

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

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

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

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

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

USD thousands	2022	2021
Cost at 1 January	1,408	1,408
Cost at 31 December	1,408	1,408
Value adjustment at 1 January, accumulated	-1,033	-658
Impairment	-375	-375
Share of the result for the year	-	-
Value adjustment at 31 December, accumulated	-1,408	-1,033
Carrying amount at 31 December	-	375

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

Pérola S.A. is in the process of formal liquidation. The carrying amount of USD 0 is the expected liquidation proceeds of Pérola when fully liquidated.

3.5 INVESTMENTS IN JOINT VENTURES

§ ACCOUNTING POLICIES

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

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

USD thousands	2022	2021
Cost at 1 January	23,825	23,825
Cost at 31 December	23,825	23,825
Value adjustment at 1 January, accumulated	-5,586	-5,634
Share of the result for the year	298	48
Value adjustment at 31 December, accumulated	-5,288	-5,586
Carrying amount at 31 December	18,537	18,238

The carrying amount can be specified as follows:

Ultra Summit (Singapore) Pte., Ltd, 50%	18,537	18,238

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

Assets	71,760	92,929
Liabilities	-34,686	-56,451
Net assets	37,074	36,478
Revenues	22,085	20,962
Profit/loss for the year	598	96
Total comprehensive income for the year	598	96

SECTION 4: WORKING CAPITAL

4.1 RECEIVABLES AND PREPAYMENTS

4.2 INVENTORIES

4.3 RESTRICTED CASH

4.4 TRADE AND OTHER PAYABLES

4.1 RECEIVABLES AND PREPAYMENTS

§ ACCOUNTING POLICIES

Receivables

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

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

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

Contract assets

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

Prepayments

Prepayments comprise cost incurred in relation to subsequent financial years.

USD thousands	2022	2021
Customers (trade receivables)	53,277	63,398
Contract assets	27,344	31,435
Other receivables	36,947	19,864
Trade and other receivables	117,568	114,697
Receivables from related companies	3,098	57
Loans to related companies	-	51,482
Receivables from related companies	3,098	51,539
Prepayments	36,162	48,770
Prepayments	36,162	48,770
Trade and other receivables, prepayments, loans to related companies and receivables from related companies	156,828	215,006

Maturity analysis for trade receivables:		
- Receivables not due	19,246	28,355
- Less than 90 days	33,867	37,526
- Between 91 days and 180 days	4,216	2,314
- Between 181 days and 360 days	3,665	1,199
- More than 360 days	1,010	75
Carrying amount of trade receivables excluding provisions	62,005	69,469
Provisions at 31 December	-8,728	-6,071
Carrying amount of trade receivables	53,277	63,398

Change in provision for trade receivables:		
Provision at 1 January	6,071	1,344
Net change in provision	2,657	4,727
Provision 31 December	8,728	6,071

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

4.2 INVENTORIES

§ ACCOUNTING POLICIES

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

USD thousands	2022	2021
Bunkers	38,155	35,133
Bunker expenses recognised in the profit or loss	422,128	274,199

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

4.3 RESTRICTED CASH

§ ACCOUNTING POLICIES

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

USD thousands	2022	2021
Cash and cash equivalents	297,474	61,341
Restricted cash in the form of deposits with clearing houses	6,610	31,120
Cash and cash equivalents, including restricted cash	304,084	92,461

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

4.4 TRADE AND OTHER PAYABLES

§ ACCOUNTING POLICIES

Trade and other payables

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

Contract liabilities

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

USD thousands	2022	2021
Trade payables	60,463	63,984
Accruals and other payables	46,541	23,459
Contract liabilities	54,446	59,183
Trade and other payables	161,450	146,626
Payables to related parties	2,450	2,021
Payables to related parties	2,450	2,021

Contract liabilities recognised at the beginning of the year was recognised as revenue during the reporting period. Outstanding performance obligations will be performed within one year.

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

SECTION 5: CAPITAL STRUCTURE

5.1 FINANCIAL ITEMS

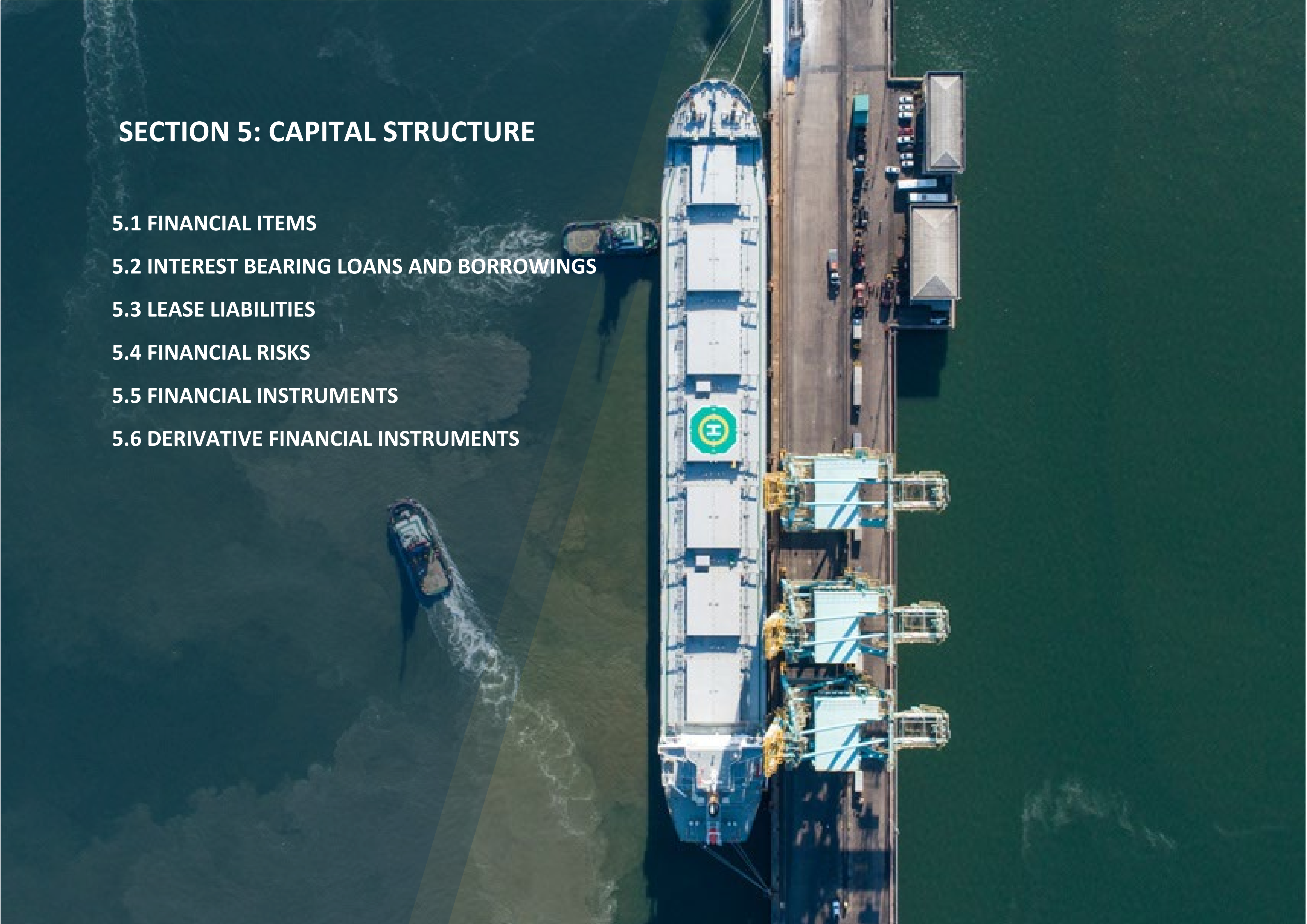
5.2 INTEREST BEARING LOANS AND BORROWINGS

5.3 LEASE LIABILITIES

5.4 FINANCIAL RISKS

5.5 FINANCIAL INSTRUMENTS

5.6 DERIVATIVE FINANCIAL INSTRUMENTS



5.1 FINANCIAL ITEMS

§ ACCOUNTING POLICIES

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

USD thousands	2022	2021
Interest income	1,463	495
Interest income from related parties	468	-
Gain from modification of lease liabilities	1,211	-
Financial income	3,142	495
Interest expenses on loans	-141	-628
Interest expenses on lease liabilities	-8,212	-11,210
Exchange rate differences	-689	-1
Other financial items, net	-101	-242
Financial expenses	-9,143	-12,081

5.2 INTEREST BEARING LOANS AND BORROWINGS

§ ACCOUNTING POLICIES

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

		Carrying amount	
USD thousands	Type	2022	2021
Mortgages on vessels	Fixed	-	4,822
Mortgages on vessels	Floating	-	4,822
Interest bearing loans and borrowings		-	9,644
Non-current portion		-	-
Current portion		-	9,644
Interest bearing loans and borrowings		-	9,644

5.3 LEASE LIABILITIES

§ ACCOUNTING POLICIES

Lease liabilities

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

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

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

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

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

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

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

5.3 LEASE LIABILITIES (CONTINUED)

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

USD thousands	2022	2021
Lease liabilities 1 January	253,883	337,591
Additions for the period	149,142	39,901
Remeasurements	-36,609	26,609
Instalments made	-123,283	-150,218
Lease liabilities 31 December	243,132	253,883
Non-current portion	87,376	125,667
Current portion	155,756	128,216
Lease liabilities 31 December	243,132	253,883

Of the total lease liabilities, USD 11.8 million (2021: USD 25.1 million) is related to flexible hire lease contracts. The flexible hire is basis the Baltic Exchange index and a change in the index of 10% will result in a 10% increase in the hire payment for flexible lease hire contracts.

Leases to which the Group is committed, but for which lease terms has not yet commenced have an undiscounted value of USD 124.5 million (2021: USD 36.5 million).

The total cash outflow from leases in 2022 were USD 1,294.6 million (2021: USD 1,199.3 million) which includes short term leases.

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

! ACCOUNTING ESTIMATES

Measurement of non-lease components

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

5.4 FINANCIAL RISKS

Through the Group's shipping activities, the Group is exposed to a number of risks arising from financial instruments, which the overall management programme focuses on minimising.

Market Risk

The Group's market risk relates to its currency risk, which occurs as all revenue denominated in USD, while the expenses of the Group are incurred in a wide range of currencies such as EUR, DKK, SGD, and AUD.

The main purpose of hedging the Group's currency risk is to hedge the USD value of the Group's net cash flow and reduce fluctuatuions in the Group's profit. The key aspects of the currency heding policy are that Net Cash Flows in other significant currenciens other than USD are hedged with a 12-24-month horizon, significant capital commitments or divestments in other currencies than USD are hedged and most non-USD debt is hedged.

Credit Risk

The Group is exposed to credit risk in various ways, however mainly in relation to trade receivables from customers, prepaid time-charter hire, cash deposits with financial institutions and the settlement receivables from derivative instruments (namely FFAs and bunker hedges).

The credit risk of receivables from trade and derivative instruments, along with prepaid time charter hire, is reduced through systematic credit assessment of each counterparty and by monitoring their creditworthiness. With respect to FFAs, those instruments are generally entered with international clearing houses. Similarly, cash at banks are deposited with international financial institutions with solid credit ratings.

Liquidity Risk

The Group's strategy is to maintain a solid cash balance that is sufficient to cover cash flows even through a period of volatile or stressed markets. Cash flows are closely monitored to evaluate the current cash position.

Derivative instruments

Ultrabulk is utilising derivatives to cover exposures in freight rates, bunker prices, and currencies. The cash flow from derivative contracts are subject to changes in market prices, to which the derivatives are linked. The Group is monitoring the effectiveness of the derivatives as hedging instruments to compare if changes in cash flow matches the underlying exposure which they are meant to cover.

5.5 FINANCIAL INSTRUMENTS BY CATEGORY

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

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

Fair value for derivatives has been calculated by discounting the expected future cash flows at relevant interest rates and involves a degree of estimation of fair value. Hence, the estimates provided herein are only indicative of the amounts that could be realised in the market.

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

Categories of financial instruments

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

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

- Level 1: observable market prices of identical instruments.

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

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

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

5.5 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

31 December 2022

USD thousands	0-1 Year	1-5 Years	Contractual cash flow	Carrying amount
Recognised at amortised cost				
Financial institutions	-	-	-	-
Trade and other payables	161,450	-	**161,450**	161,450
Payables to- and loans from related companies	2,450	-	**2,450**	2,450
Lease liabilities	159,013	91,156	**250,169**	243,132
Total	322,913	91,156	414,069	407,032
Recognised at fair value				
Financial guarantee contracts	16,017	-	**16,017**	-
Derivative financial instruments	1,066	646	**1,712**	1,712
Total	17,083	646	17,729	1,712
Total financial liabilities	339,996	91,802	431,798	408,744
Recognised at amortised cost				
Cash and restricted cash	304,084	-	**304,084**	304,084
Trade and other receivables	117,568	-	**117,568**	117,568
Receivables from subleases	-	-	-	-
Receivables from- and loans to related companies	3,098	-	**3,098**	3,098
Total	424,750	-	424,750	424,750
Recognised at fair value				
Derivative financial instruments	2,478	1,712	4,190	4,190
Total	2,478	1,712	4,190	4,190
Total financial assets	427,228	1,712	428,940	428,940

31 December 2021

USD thousands	0-1 Year	1-5 Years	Contractual cash flow	Carrying amount
Recognised at amortised cost				
Financial institutions	10,011	-	**10,011**	9,644
Trade and other payables	146,626	-	**146,626**	146,626
Payables to- and loans from related companies	2,021	-	**2,021**	2,021
Lease liabilities	127,875	137,537	**265,412**	253,883
Total	286,533	137,537	424,070	412,174
Recognised at fair value				
Financial guarantee contracts	22,800	-	**22,800**	-
Derivative financial instruments	15,569	948	**16,517**	16,517
Total	38,369	948	39,317	16,517
Total financial liabilities	324,902	138,485	463,387	428,691
Recognised at amortised cost				
Cash and restricted cash	92,461	-	**92,461**	92,461
Trade and other receivables	114,697	-	**114,697**	114,697
Receivables from subleases	12,297	1,242	**13,539**	13,539
Receivables from- and loans to related companies	46,143	5,395	**51,538**	51,538
Total	265.598	6,637	272.235	272.235
Recognised at fair value				
Derivative financial instruments	4,798	1,341	6,139	6,139
Total	4,798	1,341	6,139	6,139
Total financial assets	270.396	7,978	278.374	278.374

5.6 DERIVATIVE FINANCIAL INSTRUMENTS

§ ACCOUNTING POLICIES

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

Derivative financial instruments which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

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

Cash flow hedges

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

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

§ ACCOUNTING POLICIES (CONT.)

Economic trading & economic hedging

Derivative financial instruments, which are not deignated as cash flow hedges, are categorized as either economic trading or economic hedging. These derivatives do not meet the criteria for hedge accounting. Gains and losses, realised or unrealised, from derivatives used for economic trading or economic hedging are recognised in the income statement.

Determination of fair value

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

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

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

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Bunker hedges

Ultrabulk has entered bunker derivatives in order to hedge future bunker expenses. The bunker derivatives are accounted for as cash flow hedges.

The bunker derivatives are entered simultaneously with the Contracts of Affreightment (CoA) or single cargoes, as part of Ultrabulk's risk management. The bunker derivatives cover the bunker expenses in connection with the CoA and the duration of the bunker derivative is therefore similar to the duration of the CoA. 84% of the nominal value is realised within 1 year and 16% is realised within 1-3 years. The nominal value at the end of the year is USD 54.3 million and a drop in bunker prices of 10% will have a negative impact on equity of USD 5 million. Ultrabulk has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. Hedge ineffectiveness can arise from differences in timing of the cash flows as well as changes to the forecasted amounts. No ineffectiveness has been recognised.

FFA hedges

Ultrabulk has entered into freight derivatives ("FFAs") in order to hedge future cargo and vessel commitments. The FFAs are accounted for as cash flow hedges as part of Ultrabulk's risk management. 70% of the nominal value is realised within 1 year and 30% is realised within 1-3 years. The nominal value as the end of the year is USD 186 million and a drop in the Baltic Dry rates of 10% will have a positive impact on equity of USD 19 million.

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

Economic hedging using FFAs

In continuation of above, Ultrabulk has also entered certain FFAs with the purpose of hedging specific routes and vessel types for which the availability of data points are not sufficient to document an effective hedging relationship. Those FFAs are labelled economic hedging and are regarded as a business-related hedge for internal reporting purposes. Changes in fair value of economic hedges are recognised in profit or loss.

Economic trading in FFAs

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

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Overview of derivative financial instruments at year-end

31 December 2022

USD millions	Nominal value	Net Sell Days/MT	Duration Months	Recognised on equity	Fair value
Hedge accounting applied					
FX hedges (USD/DKK)	16.6	-	1-12	1.2	1.1
FFAs (Days)	182.1	13,626	1-36	16.9	1.3
Bunker hedges (MT)	54.3	111,250	1-60	-4.3	-0.2
Hedge accounting not applied					
FFAs (Days)	3.8	305	1-24		0.3
Net fair value of derivative instruments					2.5

USD millions	Fair value
Presentation in the Consolidated Financial Statement as:	
Derivative financial instruments, non-current assets	1.7
Derivative financial instruments, current asset	2.5
Derivative financial instruments, non-current liabilities	-0.6
Derivative financial instruments, current liabilities	-1.1
Net fair value of derivative financial instruments	2.5

31 December 2021

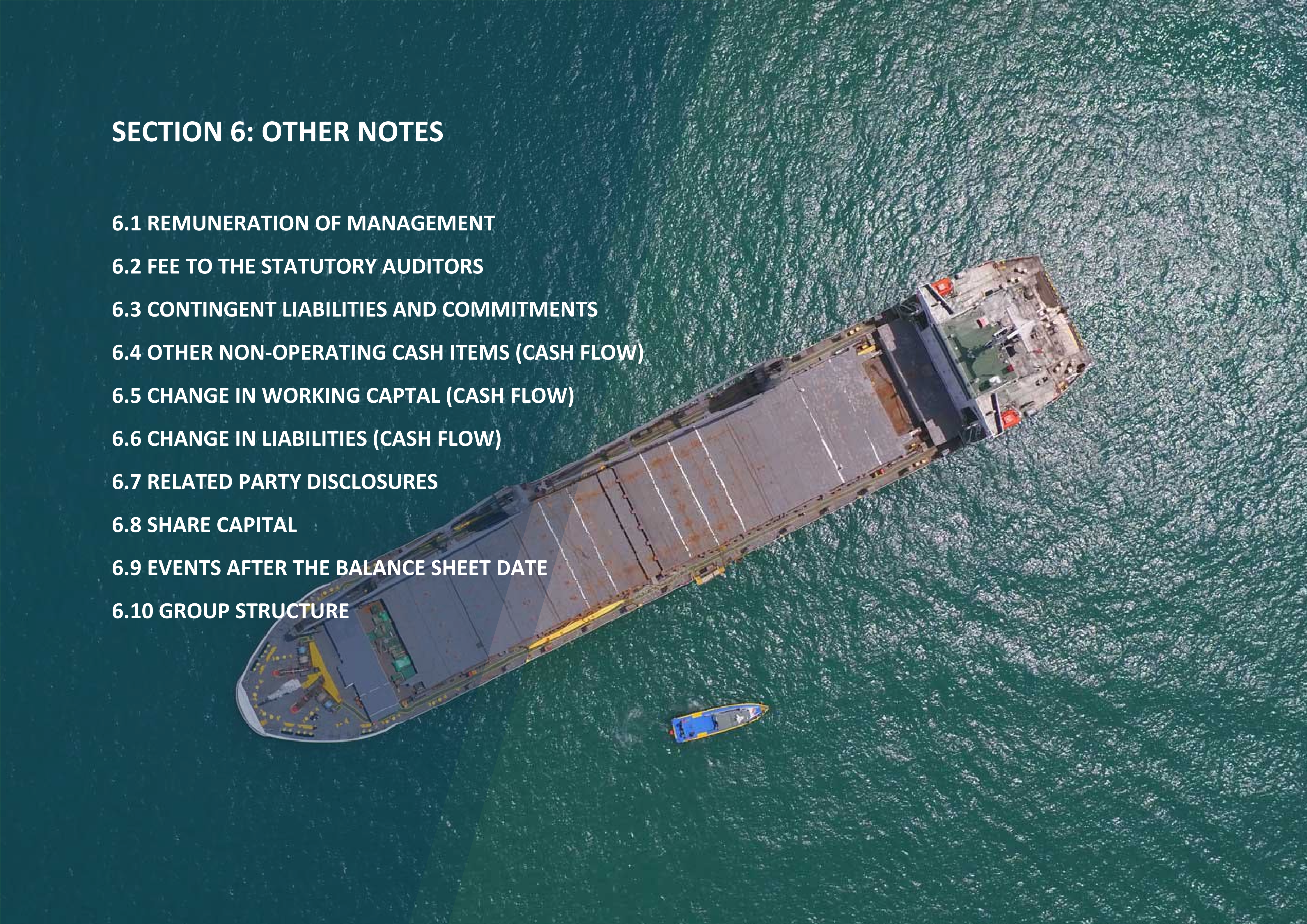
USD millions	Nominal value	Net Sell Days/MT	Duration Months	Recognised on equity	Fair value
Hedge accounting applied					
FX hedges (USD/DKK)	6.7	-	1-12	-0.1	-0.1
FFAs (Days)	74.7	4,260	1-36	-15.8	-15.8
Bunker hedges (MT)	62.3	146,257	1-60	4.3	4.3
Hedge accounting not applied					
FFAs (Days)	3,0	135	1-24	-	1.2
Net fair value of derivative instruments					-10,4

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

5.6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Net amount recognised in Other Comprehensive Income

USD millions	2022	2021
Effective portion of changes in fair value from:		
FX hedges	0.1	-0.4
Interest rate swaps	0.0	0.1
Bunker hedges	15.2	18.1
FFA hedges	32.0	-57.7
Cash deposits designated as cash flow hedges	4.2	-
Amounts reclassified to profit and loss:		
FX hedges reclassified to financial items	1.2	0.1
Interest rate swaps reclassified to financial items	0.0	0.0
Bunker hedges reclassified to voyage related expenses	-19.5	-12.3
FFA hedges reclassified to revenue	17.3	49.2
FFA hedges reclassified to voyage related expenses	-2.2	-7.0
Net amount recognised in Other Comprehensive Income	18.1	-9.9



SECTION 6: OTHER NOTES

6.1 REMUNERATION OF MANAGEMENT

6.2 FEE TO THE STATUTORY AUDITORS

6.3 CONTINGENT LIABILITIES AND COMMITMENTS

6.4 OTHER NON-OPERATING CASH ITEMS (CASH FLOW)

6.5 CHANGE IN WORKING CAPTAL (CASH FLOW)

6.6 CHANGE IN LIABILITIES (CASH FLOW)

6.7 RELATED PARTY DISCLOSURES

6.8 SHARE CAPITAL

6.9 EVENTS AFTER THE BALANCE SHEET DATE

6.10 GROUP STRUCTURE

6.1 REMUNERATION OF MANAGEMENT

Remuneration of Board of Directors

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

Remuneration of Executive Management

The Executive Management comprise of three members at the end of the 2022, all of which are remunerated directly by the Ultrabulk Group.

During the year, two members of Executive Management resigned from Executive Management. These two former members did not receive any fees or incentives directly from the Ultrabulk Group as they were remunerated by related companies outside the Ultrabulk Group. Ultrabulk paid a fee of USD 70 thousands for their services as Executive Management. The fee is recognised in “Other external expenses” in the Profit or Loss.

USD thousands	2022	2021
Fixed salaries	814	593
Pensions – defined contribution plans	51	30
Incentive payments (cash based)	1,991	913
Total remuneration included in Staff expenses	2,856	1,536
Remuneration included in other external expenses	70	73
Total remuneration for the Executive Management	2,926	1,609

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

6.2 FEE TO THE STATUTORY AUDITORS

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

USD thousands	2022	2021
Statutory audit	199	307
Tax assurance services	33	69
Other services	15	20
Fees to statutory auditors	247	396

6.3 CONTINGENT LIABILITIES & COMMITMENTS

§ ACCOUNTING POLICIES

Provisions

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

Contingent liabilities

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

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

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

Guarantees

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

USD thousands	2022	2021
Guarantees		
Ultrabulk has issued guarantees for loans to joint ventures	16,017	22,800
Total	16,017	22,800

Short term leases and low value leases

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

USD thousands	2022	2021
Short term leases and low value leases		
Within one year	109,435	123,742
Total	109,435	123,742

COAs and Time Charter commitments as service provider

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

USD thousands	2022	2021
COAs and Time Charter commitments as service provider		
Within one year	160,027	230,391
Between 1 – 5 years	171,432	224,037
More than 5 years	5,533	6,640
Total	336,992	461,068

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

USD thousands	2022	2021
Gain on sale of vessels, plant, and equipment	-35,548	-3,000
Depreciation and impairment loss	113,507	139,912
Share of gain/loss in associated companies	375	375
Share of gain/loss in joint venture	-299	-48
Interest income on loans	-484	628
Interest expenses on lease liabilities	8,212	11,210
Modification of lease liabilities	-1,211	-
Net forward contract activity	1,256	-158
Economic hedge	-242	-
Other non-cash operating items	-96	-1,305
Total	85,470	147,614

6.5 CHANGE IN WORKING CAPITAL (CASH-FLOW)

USD thousands	2022	2021
Change in receivables	9,145	-80,897
Change in inventories	-5,016	-17,273
Change in liabilities	18,607	69,348
Total	22,736	-28,822

6.6 CHANGES IN LIABILITIES (CASH FLOW)

Changes in liabilities arising from finance activities

2022

USD thousands	1 January	Cash flow	Other	31 December
Current interest-bearing loans and borrowings	9,644	-9,951	307	-
Lease liabilities	253,883	-123,283	112,532	243,132
Total liabilities from financing activities	263,527	-133,234	112,839	243,132

2021

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

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

6.7 RELATED PARTY DISCLOSURES

Ownership

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

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

The Consolidated Financial Statements of Ultranav International ApS is available at the Company's address. The ultimate holding company of Ultrabulk A/S is Inversiones Volcán Mocho S.A., Av, El Bosque Norte 500 Piso 22, 7550092 Las Condes, Santiago, Chile.

Transactions with related parties

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

	Sales/(Purchases)		Amounts owed by/(to)	
USD thousands	2022	2021	2022	2021
Related companies				
Charter hire	22,242	20,434	-	-
Management fee income	878	100	-	-
Management fee expense	-2,342	-4,783	-	-
Loans & interests	171	78	-	45,078
Other receivables and payables	-	-	648	-1,795
Joint Ventures and Associates				
Charter hire	-22,085	-20,962	-	-169
Management fee income	947			
Guarantees	-	-	16,018	22,800
Loans	302	188	-	6,403

6.8 SHARE CAPITAL

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

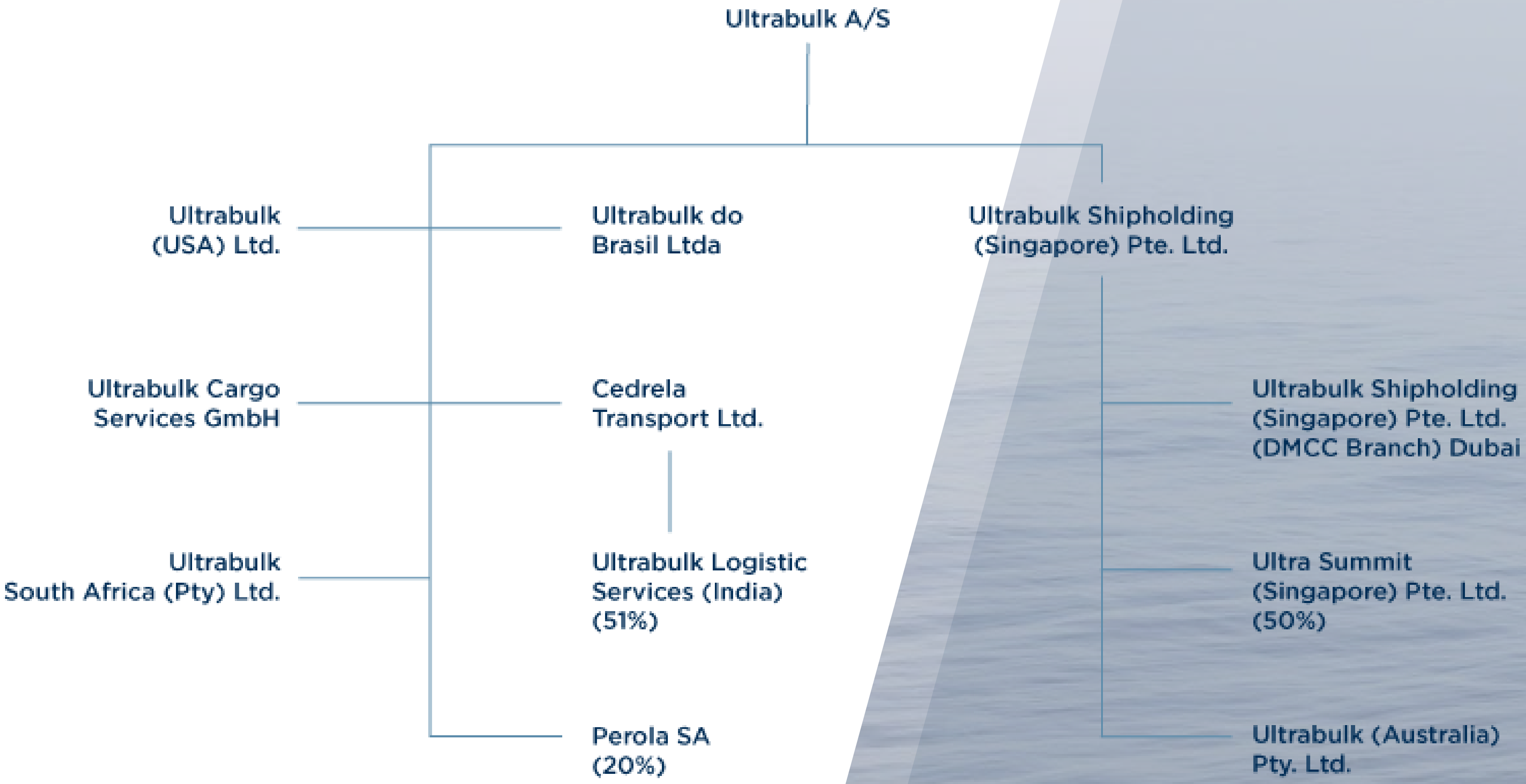
The share capital have not been subject to changes in the past five years.

6.9 EVENTS AFTER THE BALANCE SHEET DATE

Disclosure of events after the balance sheet date

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

6.10 GROUP STRUCTURE



PARENT COMPANY FINANCIAL STATEMENTS

PROFIT OR LOSS

USD thousands	Note	2022	2021
Revenue	2	1,266,366	1,011,448
Vessel operating costs and voyage related expenses		-1,138,352	-942,036
Gross profit (Net earnings from shipping activities)		128,014	69,412
Other external expenses	3	-19,035	-13,729
Staff costs	4	-15,711	-13,030
Operating profit before depreciation and impairment loss (EBITDA)		93,268	42,653
Profit from sale of tangible assets		30,750	-
Depreciation	6	-1,076	-734
Operating profit (EBIT)		122,942	41,919
Share of subsidiaries' profit after tax	7	50,343	33,707
Share of associates' profit after tax	8	-375	-375
Other financial items, net		67	1
Profit before tax		172,977	75,252
Tax	5	-826	-1,106
Net result		**172,151**	**74,146**
Proposal for the distribution of net result:			
Reserve for net revaluation according to equity method		49,968	33,332
Retained earnings		-27,817	-4,186
Proposed dividend		150,000	45,000
Net result		**172,151**	**74,146**

BALANCE SHEET

ASSETS

USD thousands	Note	2022	2021
Fixtures, fittings, and equipment	6	1,297	902
Tangible assets		1,297	902
Investments in subsidiaries	7	144,308	95,597
Investments in associates	8	-	375
Derivative financial instruments	14	1,712	1,342
Deposit		177	131
Financial assets, non-current		146,197	97,445
Total non-current assets		147,494	98,347
Inventories		26,485	15,785
Trade and other receivables	9	74,521	57,044
Receivables from related companies		1,230	1,449
Loans to related companies		-	45,078
Prepayments		25,010	23,897
Income tax receivables		1,048	-
Derivative financial instruments	14	2,478	4,682
Cash and short-term deposits, including restricted cash	16	219,410	91,013
Total current assets		350,182	238,948
TOTAL ASSETS		**497,676**	**337,295**

EQUITY AND LIABILITIES

USD thousands	Note	2022	2021
Share capital		5,134	5,134
Revaluation reserve according to the equity method		80,734	33,024
Cash flow hedge reserves		2,561	-11,714
Retained earnings		118,981	140,760
Proposed dividend		150,000	45,000
Total equity	10	357,411	212,204
Derivative financial instruments	14	646	948
Total non-current liabilities		646	948
Trade and other payables	11	98,134	69,046
Payables to related companies		40,419	38,277
Derivative financial instruments	14	1,066	15,569
Income tax payable		-	1,251
Total current liabilities		139,619	124,143
Total liabilities		140,265	125,091
TOTAL EQUITY AND LIABILITIES		**497,676**	**337,295**

STATEMENT OF CHANGES IN EQUITY

USD thousands	Share capital	Cash flow hedge reserve	Revaluation reserve according to the equity method	Retained earnings	Proposed dividend	**Total equity**
Equity as 1 January 2022	**5,134**	**-11,714**	**33,024**	**140,760**	**45,000**	**212,204**
Net result	-	-	49,968	-27,817	150,000	**172,151**
Dividend received from subsidiaries	-	-	-5,769	5,769	-	**-**
Dividend paid to shareholders	-	-	-	-	-45,000	**-45,000**
Fair value adjustments	-	14,275	3,780	-	-	**18,055**
Other adjustments	-	-	-269	269	-	**-**
Equity as 31 December 2022	**5,134**	**2,561**	**80,734**	**118,981**	**150,000**	**357,411**

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

NOTE 1 – BASIS OF REPORTING

§ GENERAL ACCOUNTING POLICIES

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

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

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

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

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

Leases

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

NOTE 2 – REVENUE

USD thousands	2022	2021
Panamax	324,416	314,118
Supramax	532,848	511,936
Handysize	9,951	7,108
Specialised services	399,151	178,286
Revenue by type of vessel	1,266,366	1,011,448

USD thousands	2022	2021
Income from freight	916,053	683,598
Income from time charter	350,313	327,850
Revenue by type of contract	1,266,366	1,011,448

NOTE 3 – FEE TO THE STATUTORY AUDITOR

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

NOTE 4 – STAFF COSTS

USD thousands	2022	2021
Salaries	13,904	12,245
Pensions – defined contribution plan	876	559
Other staff costs	931	226
Total	15,711	13,030
Average number of employees	82	52

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

The increase in the average number of employees is linked to a transfer of business activities which were previously held in a related company. The related company provided shared business services to the Ultrabulk A/S prior to the transfer and were remunerated through an administration fee which were recognised as "Other external expenses". The transfer was completed in the beginning of 2022 and comprised 24 employees.

NOTE 5 – TAX

USD thousands	2022	2021
Current tax on profit for the year	-948	-1,251
Tax on profit for the year	-948	-1,251
Adjustments related to previous years – current tax	122	145
Tax in the income statement	-826	-1,106

NOTE 6 – FIXTURES, FITTINGS AND EQUIPMENT

USD thousands	2022	2021
Cost at 1 January	6,671	5,663
Additions for the year	1,471	1,008
Disposals	-4,318	-
Cost at 31 December	3,824	6,671
Depreciation at 1 January, accumulated	-5,769	-5,035
Depreciation for the year	-1,076	-734
Depreciation on disposals	4,318	-
Depreciations at 31 December, accumulated	-2,527	-5,769
Carrying amount at 31 December	1,297	902

NOTE 7 – INVESTMENTS IN SUBSIDIARIES

§ ACCOUNTING POLICIES

Earnings from investments in subsidiaries and associates

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

Investments in subsidiaries and associates

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

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

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

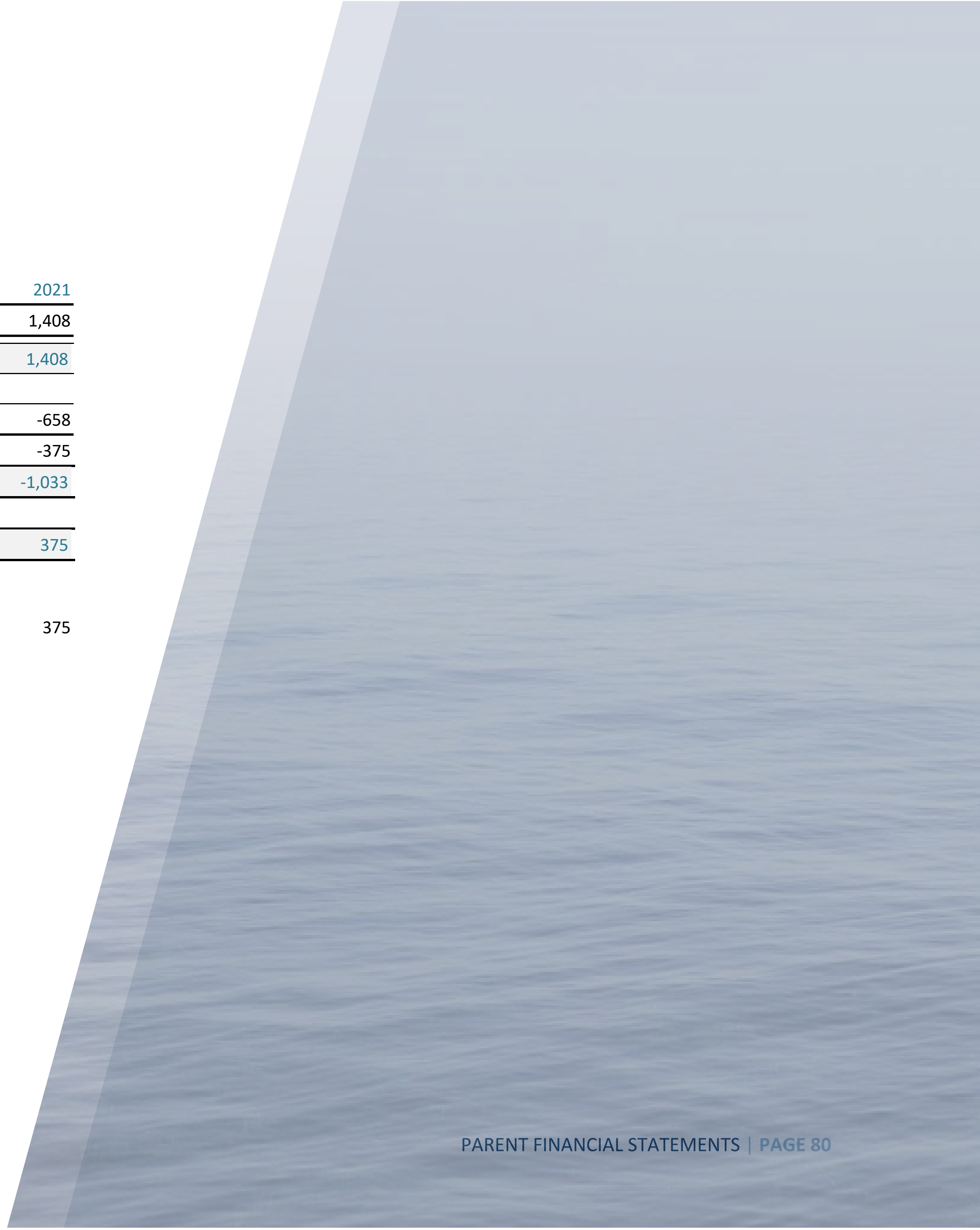
USD thousands	2022	2021
Cost at 1 January	16,958	16,958
Cost at 31 December	16,958	16,958
Value adjustment at 1 January	77,945	77,754
Share of result for the year	50,343	33,707
Dividends	-5,769	-33,900
Change in equity in subsidiaries	3,780	384
Other changes	-269	-
Value adjustment 31 December	126,030	77,945
Carrying amount	142,988	94,903
The carrying amount can be specified as follows:		
Investment in subsidiaries	144,308	95,597
Negative equity in subsidiaries, deducted in intercompany receivables	-1,320	-694
Carrying amount	142,988	94,903

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

NOTE 8 – INVESTMENTS IN ASSOCIATES

USD thousands	2022	2021
Accumulated costs at 1 January	1,408	1,408
Accumulated costs at 31 December	1,408	1,408
Accumulated value adjustment at 1 January	-1,033	-658
Impairment	-375	-375
Accumulated value adjustment at 31 December	-1,408	-1,033
Carrying amount to 31 December	0	375

The carrying amount can be specified as follows:		
Pérola S.A., Brasil, interest 20%	0	375



NOTE 9 – TRADE AND OTHER RECEIVABLES

USD thousands	2022	2021
Customers (trade receivables)	58,764	43,965
Other receivables	15,757	13,079
Total	74,521	57,044

NOTE 10 – EQUITY AND ALLOCATION OF RESULT

Share capital

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

Allocation of result

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

NOTE 11 – TRADE AND OTHER PAYABLES

USD thousands	2022	2021
Trade payables	26,274	25,801
Accruals and other payables	40,226	11,711
Deferred income	31,634	31,534
Total	98,134	69,046

NOTE 12 – CONTINGENT LIABILITIES

USD thousands	2022	2021
Guarantees		
Ultrabulk A/S has issued guarantees for loans to joint venture and associated company	16,017	22,800
Ultrabulk A/S has issued guarantees for time charter hires to subsidiaries	264,576	369,047
Total	280,593	391,847

Contingent liabilities

Ultrabulk A/S 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.

Ultrabulk A/S is jointly taxed with other companies in the Ultranav International 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 Ultrabulk A/S' liability constituting a larger amount.

Ultrabulk A/S and related Danish companies are jointly and severally liable for the joint registration of VAT.

NOTE 13 – OPERATING LEASE LIABILITIES AND COAs COMMITMENTS

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

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

USD thousands	2022	2021
Operating leases		
Within one year	137,132	157,782
Between 1 – 5 years	14,246	92,665
Total	151,378	250,447

USD thousands	2022	2021
COAs and Time Charter commitments as service provider		
Within one year	124,334	109,252
Between 1 – 5 years	165,975	214,603
More than 5 years	5,533	6,640
Total	295,842	330,495

NOTE 14 – FINANCIAL INSTRUMENTS

For accounting policies, reference is made to note 5.6 in the Consolidated Financial Statements.

Bunker hedges

Ultrabulk A/S has entered bunker derivatives in order to hedge future bunker expenses. The bunker derivatives are accounted for as cash flow hedges.

The bunker derivatives are entered simultaneously with the Contracts of Affreightment (CoA) or single cargoes, as part of Ultrabulk A/S's risk management. The bunker derivatives cover the bunker expenses in connection with the CoA and the duration of the bunker derivative is therefore similar to the duration of the CoA. 84% of the nominal value is realised within 1 year and 16% is realised within 1-3 years. The nominal value at the end of the year is USD 54.3 million and a drop in bunker prices of 10% will have a negative impact on equity of USD 5 million. Ultrabulk A/S 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 A/S has entered into freight derivatives ("FFAs") in order to hedge future cargo and vessel commitments. The FFAs are accounted for as cash flow hedges as part of Ultrabulk A/S's risk management. 70% of the nominal value is realised within 1 year and 30% is realised within 1-3 years. The nominal value as the end of the year is USD 186 million and a drop in the Baltic Dry rates of 10% will have a positive impact on equity of USD 19 million.

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

Economic hedging using FFAs

In continuation of above, Ultrabulk A/S has also entered certain FFAs with the purpose of hedging specific routes and vessel types for which the availability of data points are not sufficient to document an effective hedging relationship. Those FFAs are labelled economic hedging and are regarded as a business-related hedge for internal reporting purposes. Changes in fair value of economic hedges are recognised in profit or loss.

Economic trading in FFAs

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

NOTE 15 – RELATED PARTY TRANSACTION

Reference is made to note 6.7 in the consolidated financial statements which details related party transactions between the Ultrabulk Group and related companies other than wholly owned subsidiaries of Ultrabulk A/S.

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

Ownership

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

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

The Consolidated Financial Statements of Ultranav International ApS is available at the Company's address. The ultimate holding company of Ultrabulk A/S is Inversiones Volcán Mocho S.A., Av, El Bosque Norte 500 Piso 22, 7550092 Las Condes, Santiago, Chile.

NOTE 16 – RESTRICTED CASH

Restricted cash in terms of deposits in favor of clearinghouses (Macquarie and BNP Paribas) consist of USD 6.6 million (USD 31.1 million).

NOTE 17 – SUBSEQUENT EVENTS

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

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