Lauritzen Bulkers A/S

Tuboorg Havnevej 15, DK-2900 Hellerup

Annual Report for 1 January - 31 December 2022

CVR No 55 70 01 17

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 /3 2023

Dorte Rolff
Chairman of the General Meeting

Contents

Management's Statement

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

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and of the results of the Company operations for 2022.

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

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

Copenhagen, 20 February 2023

Executive Board

Niels Åge Josefsen

Board of Directors

Kristian Verner Mørch Chairman	Tommy Thomsen	Peter Poul Lauritzen Bay
Martyn Richard Wade		

Independent Auditor’s Report

To the Shareholder of Lauritzen Bulkers A/S

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

We have audited the Financial Statements of Lauritzen Bulkers 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 (”the Financial Statements”).

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

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

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

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

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

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

Independent Auditor's Report

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- 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 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 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.

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, 20 February 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Bo Schou-Jacobsen
State Authorised Public Accountant
mne28703

Company Information

The Company	Lauritzen Bulkers A/S Tuborg Havnevej 15 DK-2900 Hellerup CVR No: 55 70 01 17 Financial period: 1 January - 31 December Municipality of reg. office: Hellerup
Board of Directors	Kristian Verner Mørch, Chairman Tommy Thomsen Peter Poul Lauritzen Bay Martyn Richard Wade
Executive Board	Niels Åge Josefsen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

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

	2022	2021	2020	2019
	USD '000	USD '000	USD '000	USD '000
Key figures				
Profit/loss				
Revenue	929,952	836,588	380,359	387,498
Operating profit/loss	79,068	98,937	(10,471)	(59,858)
Profit/loss before financial income and expenses	101,524	98,937	(10,465)	(59,561)
Net financials	(32,842)	92	(8,621)	(27,109)
Net profit/loss for the year	77,331	95,959	(19,288)	(87,624)
Balance sheet				
Balance sheet total	433,845	260,350	177,195	210,500
Equity	190,710	128,850	30,873	18,722
Investment in property, plant and equipment	183,451	13,768	9,453	9,800
Number of employees	58	60	57	51
Ratios				
Profit margin	10.9 %	11.8 %	(2.8)%	(15.4)%
Return on assets	23.4 %	38.0 %	(5.9)%	(28.3)%
Solvency ratio	44.0 %	49.5 %	17.4 %	8.9 %
Return on equity	48.4 %	120.2 %	(77.8)%	

For definitions of key ratios, see accounting policies.

Comparative figures have not been adjusted in respect of the merger with accounting effect as of 1 January 2022. However, in respect of change in accounting policy regarding measurement of investments in subsidiaries from cost to equity method comparative figures for 2020 have been adjusted. Please refer to the description in the section Accounting policies.

Comparative figures for 2018 have not been presented as the group structure have changed significantly.

Management's Review

STATEMENT FROM CEO AND CHAIRMAN

The past year was anything but ordinary. The frightening combination of war, inflation, energy scarcity, and climate change were not what anyone expected as life was just beginning to move forward from the COVID-19 pandemic.

The war set in motion uncertainty about the economy, food security, but most importantly, human life as the humanitarian tragedy unfolded in Ukraine. Because of the attack on Ukraine, we instantly ceased our Russian operations.

In view of the increased geopolitical tensions, our purpose to facilitate trade has become more relevant than ever.

Dry bulk rates generally eased back in 2022 amid pressure on demand and easing congestion, with average bulk carrier rates falling 24% y-o-y. Rate levels were generally more resilient in the smaller vessel sizes and remained fairly "healthy" for most of the year, however, handysize bulk carrier earnings ended 17% down y-o-y on 2021.

Despite macroeconomic headwinds and declining freight rates gradually evolving over the year, we were able to improve our financial performance compared to 2021, and we generated a net result of USDm 102.5 from our core dry bulk activities. The underlaying result before unrealised hedging was USDm 115.0 compared to USDm 91.0 in 2021. The result was impacted by an intra company merger in late 2022 with retroactive effect from 1 January 2022 amounting to USDm (25.3) and hence the total result was USDm 77.3 compared to USDm 96.0 in 2021.

We appreciate that everyone at Lauritzen Bulkers worked hard and dedicated to meet customer needs and demands. And that we together with our suppliers and partners continued to deliver first class dry cargo marine services.

Our business model was further refined during the year and our Asset Management Book had its first year of operation. The Asset Management Book is responsible for commitments over two years including vessel ownership and sale & purchase of vessels. Towards the end of the year, we decided to establish a dedicated Freight Forward Agreement (FFA) Book, which commenced operation in early 2023 providing FFAs to Lauritzen Bulkers' different business units.

Our team of experienced operational and chartering staff strengthened our relations with clients in defining their marine transportation needs and we succeeded in attracting a substantial number of new clients.

The outlook for 2023 is impacted by the macroeconomic and geopolitical uncertainty, which is expected to continue during the first half of the year. We expect dry bulk markets to gradually improve during the second half of the year supported by the limited supply growth in the handysize bulk carrier segment.

Responsibility

Due to our heritage, responsible business conduct and properness is an essential part of our DNA. Consequently, responsibility is strategically important to us.

Humanitarian issues, corruption and transparency are key challenges facing our industry and they cannot be solved by companies individually. Global initiatives and strong coordination are what is needed to achieve sustainable results.

We support relevant global initiatives and are proactive in seeking and joining new partnerships that we believe will make a positive contribution to the impact shipping may have on people, the environment, and the climate.

Our owner J. Lauritzen became a signatory to the UN Global Compact in 2011, and since then the ten principles of the Global Compact addressing human and labour rights, the environment, and anti-corruption, have guided the Group's corporate responsibility efforts and helped us identify any impact our business creates that we must be aware of. During recent years, we have also increasingly been guided by the UN Sustainable Development Goals (SDGs). In early 2022, Lauritzen Bulkers became a signatory to the UN Global Compact.

In 2022, we established a cross department climate group with dedicated resources to deal with new regulations and to prepare and educate all staff to understand the implications of new legal requirements and to ensure proper implementation throughout the organisation.

In order to reach the Paris Climate Agreement, we need to collaborate. We do so by working together with some of our major industry partners. We have established platforms to monitor and take actions on the Carbon Intensity Indicator (CII) and the EU Emissions Trading System (ETS). As of 1 January 2023, we have been ready to rate both cargoes and vessel regarding their CII impact. By the end of 2022 we bought European Union Allowances (EUA) equal to 10,060 metric tonnes and a face value of EURm 0.8 . This purchase covers some forward EUA exposure, but also shows our support and commitment to the ETS legislation.

We are joining efforts to push regulators (IMO specifically) for stronger regulations to ensure we reach the climate goals, and we are a signatory to the Call to Action for Shipping Decarbonisation.

In 2023, we expect to invest in retrofitting of vessels to reduce CO2 emissions and to enable accurate reporting on emissions to clients and authorities.

Kristian Mørch
Chairman of the Board of Directors

Niels Josefsen
CEO

RESULT AND HIGHLIGHTS

The net result in 2022 of the core dry bulk business of Lauritzen Bulkers was a profit of USDm 102.5 and the result before unrealised hedging was USDm 115.0. In 2021, Lauritzen Bulkers' result before unrealised hedging amounted to USDm 91.0.

The total result for 2022 for Lauritzen Bulkers A/S is impacted by the merger with the J. Lauritzen Invest (former Lauritzen Kosan), in late 2022 with retroactive effect from 1 January 2022. The impact on the net result for 2022 was USDm (25.3), and thus the net result for 2022 in Lauritzen Bulkers A/S in total was a profit of USDm 77.3 compared to 2021 where the result was a profit of USDm 96.0.

Shareholder's equity stood at USDm 190.7, up from USDm 128.9 at year-end 2021. Cash and cash equivalents stood at USDm 124.6, up from USDm 62.0 at year-end 2021.

The net result for 2022 exceeded the expected profit for 2022 of USDm 20-50, in part due to timely closing down of our long position and sales of vessels at the peak of the market. The net result of the core business, measured before unrealised hedging, was better than in 2021 and is considered very satisfactory, especially considering that the market levels were lower

Business model

Lauritzen Bulkers is active in global dry bulk shipping and is 100 percent owned by J. Lauritzen. Seaborne transportation of dry cargo commodities has been part of the DNA of J. Lauritzen group since its very beginning.

The core of Lauritzen Bulkers' business model is our focus on being a short-term freight trader and owner/operator in the handysize segment of global dry bulk shipping. The trading focus includes active portfolio management and use of FFAs for hedging and managing our position and exposure. The increased focus on short term trading is the key to meet our strategic goal of delivering stable returns to our owner. Our approach is data-driven, supported by in-house market research and market knowledge.

Our commercial activities are organised in three separate business areas: Short-Term Book (commitments up to four months), Long-Term Book (commitments between four months and two years) and Asset Management Book (commitments over two years including vessel ownership and sale & purchase of vessels). Each book has its own focus on the opportunities in its unique business area.

Key developments

In a year marked by conflict and rising uncertainty, 2022 was also a year of contrasts. We witnessed the devastating invasion of Ukraine that created not only humanitarian tragedy, but also geopolitical uncertainty, renewed supply chain disruptions, sanctions, and plummeting consumer confidence.

The benefit from the past year's work to transform of our business model to being primarily focused on short-term trading was clearly demonstrated in 2022 as Lauritzen Bulkers was able to deliver a result that exceeded that of 2021 – despite lower freight rates compared to 2021. Part of the strong result was due to profits generated from well-timed sales and purchases of vessels.

Activities implemented in 2022 to support our overarching strategy objectives of increasing our activity and delivery of stable, attractive returns to our owner will continue in 2023. The ambition to further increase our activity entails continuing our work to attract and retain a diverse, talented, and skilled workforce.

We will build further on the foundation of trusted relationships with our customers, suppliers, and partners, and continue our transition efforts towards sustainability and a net zero carbon future. This has already started in 2022 with renewal of our fleet of owned vessel and long-term lease of new building

Business performance

Lauritzen Bulkers continued in 2022 to lift a variety of cargoes, the majority of which were agricultural products, energy, and construction materials. These commodity types are operationally demanding to handle due to their nature and/or geographical location and they require dedicated efforts from our professional staff at sea and ashore.

We served more than 276 clients and the top ten accounted for approximately 26% of Lauritzen Bulkers' revenue in 2022.

Short-Term Book

The Short-Term Book (STB) had another year of strong results. Generating a contribution margin of USD/day 2,252 per ship day (USD/day 2,170 in 2021).

Long-Term Book
The Long-Term Book (LTB) generated a contribution margin of USD/day 11,715 per ship day.

Asset Management Book
The Asset Management Book (AMB) was established late 2021 by way of separation of the fleet of owned vessels and long-term chartered vessels with purchase option from the LTB. The AMB thus had its first dedicated year of activity in 2022.

The AMB generated a contribution margin of USD/day 8,812 per ship day in addition to the result from being very active in sales and purchases of vessels.

During 2022, three vessel sales and six vessel purchases were completed. A further four vessel purchase agreements were executed in 2022 for delivery in 2023, and one vessel was sold for delivery in 2023. The vessel purchases were all based on execution of purchase options included in long-term time-charter agreements.

In 2023, we plan to take delivery of two long-term chartered new buildings with purchase options.

At year-end, our fleet included five fully owned vessels and one vessel owned in a 50/50 joint venture. The value of fully owned and part-owned vessels was estimated at USDm 132.7 by independent ship brokers in December 2022.

Other developments

In September 2022, the Board of Directors of Lauritzen Bulkers was joined by Martyn Wade, who has brought extensive executive and board experience as well as industry expertise.

In late 2022, Lauritzen Bulkers A/S, its subsidiary Lauritzen Bulkers Ship Owner A/S and sister-company J. Lauritzen Invest A/S jointly announced a plan to merge the companies with Lauritzen Bulkers as the continuing entity with retroactive effect from 1 January 2022. The merger which was formally adopted on 16 January 2023 represents the final leg of adjustments to the J. Lauritzen group structure and complements a rearrangement of the investments of the shipping activities in the J. Lauritzen group following the sale of the Lauritzen Kosan business to BW Epic Kosan.

Prior to the merger, J. Lauritzen Invest decided in relation to investments that are non-core to the dry bulk focussed business model of Lauritzen Bulkers, to distribute or sell these to other entities in J. Lauritzen group.

The merger does not change Lauritzen Bulkers' core business model nor our focus on handysize dry bulk shipping. Lauritzen Bulkers is now also the owner of the group's investments in dry bulk vessels.

AFTER YEAR-END EVENTS

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

OUTLOOK FOR 2023

The global economic activity weakened in 2022 as war, inflation and tightened monetary policy as well as negative impact from COVID-19 related restrictions, in particular in China, caused consumption and investment activity to decline globally. On this background, dry bulk markets saw a weakened demand in the second half of 2022 which is expected to continue into the first half of 2023. In the latter part of 2023, we expect the freight markets to gradually improve. This improvement is in part expected to be driven by limited supply growth in handysize dry bulk markets.

There are a number of risks to the outlook that may affect international shipping. The most important of these include:

•The speed of the recovery of the Chinese economy
•The Russian war in Ukraine
•International trade policy developments, especially the relationship between China and the US
•Oil and commodity price volatility
•Climate change and the need to reduce transportation-related carbon emissions, in particular the implications from Carbon Intensity Indicator (CII)
•The impact on economic activity from efforts in US and EU to counter the current high inflation through interest rate increases

Lauritzen Bulkers expects a net profit in 2023 of USDm 25-50. The expected net profit includes expected profit from sales of vessels. The expected net profit is sensitive to changes in the dry bulk market rates. Currency and interest rate fluctuations as well as effects from further sales of assets, if any, may also impact the result.

Beyond 2023, we foresee market conditions for handy size dry bulk shipping to stay above the historic average of the past 10 years.

RISK MANAGEMENT

Commercial risk is the primary risk for Lauritzen Bulkers, and it comes from taking positions in the market. The ability to take a position and manage that position is a central capability. For other categories of risk as described below, the approach generally is to minimise the particular risk to an acceptable level.

Commercial risk
An essential element of our business model is to take positions and exposure through commercial commitments to own and charter in tonnage and to carry cargo, or similarly by use of derivatives (FFAs). Volatility in market levels, base margins and vessel values, as well as geographical imbalances in demand and supply, are the underlying factors of the commercial risk. The focus is primarily on taking short and medium-term positions with high liquidity which enable managing the risk exposure.

Lauritzen Bulkers use a portfolio management system to assist in monitoring and managing the forward value of cargoes, positions, hedging and realised values. The system is an integrated part of daily commercial decision making and risk monitoring to ensure that the business is operated within the risk mandate approved by the Board of Directors.

Climate regulations
We support tougher regulations imposed on the shipping industry to meet the targets for green shipping, and we are ready to meet these challenges. There are impacts across our business model and on our assets, both technically and economically, from climate regulations but by allocating considerable resources and internal training, we are equipped to manage these exposures.

Credit risk
Credit risk is mitigated by systematic identification, assessment, and monitoring of clients' creditworthiness. The credit risk is connected to the total risk amount with a maximum credit risk limit for each counterparty. Our framework for managing credit risk is tied with our management of sanctions risk.

S*anctions risk*
Violation of sanctions are unacceptable and can have severe consequences. To ensure that we do not enter into agreements with counterparties who have been sanctioned we run detailed sanctions checks. The Russian invasion of the Ukraine in February 2022 led to massive and unprecedented imposition of sanctions, and we have intensified our sanction risk mitigation efforts. Our sanction risk management strategy is comprised of pre-fixture control and post-fixture monitoring. The former assures that companies with any ties to targeted countries are screened every time new business is entered into while the later involves monitoring the sanction status of the clients until the employment is concluded. Our framework to mitigate sanction risk also includes monitoring of tonnage by way of vessel movement screening tools.

Bunker risk

Fuel is the single most important variable cost factor and cargo contract earnings can be heavily influenced by bunker price volatility. To mitigate the risk, hedging of bunker consumption is arranged when a forward commitment is accepted, and if a bunker adjustment factor is not included in the cargo contract.

Financial risk
Financial risk relates to payment obligations and mitigating interest rate and currency risk.

Expected cash flows in non-USD currencies, viewed on a rolling 12-month basis, are partially hedged to USD.

Liquidity is managed on a daily basis to ensure availability of funds to cover daily flows, and systems are in place to project daily flows. Forecasts are generated on a weekly and a monthly horizon as well as for multi-year periods for planning purposes. The forecasts also address repayment on financing of the owned fleet.

The owned fleet is financed in a secured loan facility with maturity in 2027. The facility includes commitments for planned vessel acquisitions in 2023. Interest on loan facility is based on a floating rate. The interest rate risk on floating rate is partially hedged by use of interest rate swaps.

Operational risk
Maintaining a strong safety culture is a top priority for us, first and foremost because of the human consequences of injuries or casualties. While being primarily an operator, we still have a strong focus on safety surrounding the carriage of cargoes. Proper carriage is important to ensure the safety of crews, vessels and cargoes.

The risk tolerance related to operational issues such as fleet management and safety is in principle zero. Safety procedures are implemented to ensure compliance with the highest industry standards. We assist masters with cargo documentation and guidance on how to treat the cargo while on board. We ensure a high level of know-how among our operators through regular training sessions and the employment of port captains who specialise in safe handling of cargoes. Bunker suppliers are screened, and we only use the best suppliers. To a large extent we take bunkers on terms we have negotiated, thereby providing better terms for us in case of disputes.

The management of operational risk also considers risk related to piracy. We experienced no piracy attacks in 2022. Identifying and managing such risks are paramount to us. Before entering high-risk areas, separate risk evaluations will be undertaken together with external experts.

Our business is highly dependent on stable IT systems. and electronic communication. We address IT and cyber risk through implementation of industry best practices and check these against the Critical Security Controls (CIS) v8 Security framework. Backups and a secondary data centre are in place to recover our systems within a reasonable time. Vulnerability checks and awareness training are conducted regularly.

RESPONSIBILITY

Our owner J. Lauritzen became a signatory to the United Nations Global Compact in 2011, and since then the ten principles of the Global Compact addressing human and labour rights, the environment, and anti-corruption, have guided the Group's corporate responsibility efforts and helped us identify any impact our business creates that we must be aware of. During recent years, we have also increasingly been guided by the UN Sustainable Development Goals (SDGs). In early 2022, Lauritzen Bulkers became a signatory to the UN Global Compact.

Due to our heritage, responsible business conduct and properness is an essential part of our DNA.

Responsibility is therefore part of our strategy and firmly rooted in our purpose to enable global trade through intelligent seaborne solutions - creating growth for local communities around the world.

Business model
Lauritzen Bulkers is an owner and operator in the handysize segment of global dry bulk shipping with focus on being a short-term freight trader, cf. paragraph on "Business model" on page 9.

People

The importance of people has been recognised by Lauritzen Bulkers for years, and it goes without saying that our people ashore and at sea are fundamental for the way we run our business and ultimately for our success.

Our four core values of accountability, resoluteness, empathy, and adaptability continue to guide our organisation in our daily work to provide top-quality service to our customers worldwide.

Employee well-being
In the beginning of 2022, our staff were still affected by remote working due to the COVID-19 pandemic. However, during the year, we gradually returned to more normal working conditions.

In the autumn, our global organisation gathered for an intensive two-day seminar with focus on our purpose, values, governance, and overall business conduct.

In the coming years, we will conduct similar seminars to foster even stronger cooperation among our departments and offices.

Diversity

We continued our focus on employing a diverse workforce. During the year, we conducted bias training and launched a diversity, equity and inclusion (DE&I) survey to support our efforts to strengthen a diverse workplace. The result was a favourable DE&I total score of 83%. We will in the coming years work with targeted initiatives based on the data retrieved from the survey and other initiatives to increase diversity, equity and inclusion.

The female share of employees on shore was 40% at year-end 2022, unchanged compared to 2021. We remain committed to continuing our efforts towards a more balanced gender diversity in 2023.

At year-end 2022, we employed 19 different nationalities compared to 20 at year-end 2021. We expect national diversity to increase in the coming years to the benefit of our clients, innovation, and our overall profile as an attractive international company to work for.

We will continue our efforts to further improve diversity, equity and inclusion, not only in terms of gender diversity, but in general as we strongly believe that this is an important prerequisite for realising our continued growth ambitions.

Our gender diversity target

We strived to reach 42% female employees at year-end 2022 by increased focus on female candidates in our search for additional employees to fulfil our growth ambitions, but we were not successful in increasing the female share from 40% achieved at year-end 2021. Our target is to reach 42% female employees at year-end 2023.

In 2021 we increased the target for women in managerial positions to 36% by year-end 2025. However, in 2022 we saw a decline to 20% women in managerial positions, down from 29% at year-end 2021. The decline was due to adjusting the organisation into smaller teams.

In early 2023, new EU/Danish legislation on gender diversity came into force. Thus, new diversity targets for the Board of Directors and other management levels were approved by the Board in February 2023 stating a target of 25% female representation of the Board by year-end 2026 and 20% women in managerial positions by year-end 2026. The new stricter regulation makes comparison with previous years' figures on gender diversity in managerial positions impossible.

Talent attraction

We continued our good cooperation with universities and business schools around the world in our efforts to attract talented new graduates to our organisation. Sourcing well-educated candidates remains a top priority for us.

At year-end, we employed 196 people, of whom 99 were ashore and 97 at sea.

Health and safety at sea

Operational transparency is essential to the safety of our people, our vessels, and our clients' cargoes. Thus, building and maintaining open and strong relationship with our external technical vessel manager is vital for our health and safety strategy.

We measure our safety performance through various parameters, including the Lost Time Injury Frequency (LTIF) rate, which for the owned and part-owned fleet amounted to zero in 2022, unchanged compared to 2021.

LTIF is calculated by dividing the number of lost time injuries for the year by the total hours worked by all staff in the same period.

An average of 1.3 deficiencies were reported during Port State Controls in 2022 (0.3 in 2021). In 2022, we had zero detentions (zero in 2021).

With COVID restrictions reduced to a few remaining countries, vessel operation, crew change, and inspections resumed to a more normalised level during the year. The average RightShip Safety Score for our own and part-owned fleet was 3.6 on the five-step scale at year-end 2022.

Security

When entering high-risk areas, we follow the shipping industry's Best Management Practices (BMP) guidelines for protection against piracy, as well as our internal security guidelines. The guidelines state that before scheduling a voyage into a high-risk area, a risk assessment must be conducted, and the necessary precautions must be taken. Our security policy is reviewed annually by our Board.

Human rights

We consider respect for human and labour rights as a part of our heritage and our commitment to the UN Global Compact. Our respect for human rights closely correlates with our core values of accountability and empathy and our purpose. A respecting and safe work environment are fundamental to our operations and are considered the areas where we have the biggest impact.

A Human Rights Policy Statement approved by our Board confirms that we are committed to upholding human rights across our operations and value chain. We are also committed to creating and protecting a work environment in which all individuals are treated with respect and dignity, and which prohibits any kind of discrimination and harassment. We have strict focus on any kind of anti-harassment, and we regard our procedures as robust since no reports have ever been made through our whistle-blower channel.

In 2022, managers participated in two training seminars on Diversity, Equity and Inclusion and the entire staff was requested to answer a questionnaire to further sharpen our focus on this topic.

At sea, our human rights efforts are closely linked to our health, safety and security policies and procedures. These are managed in accordance with legislation, regulations, and the nature of the operations. All board meetings begin with a report on safety performance and crew change related issues due to Covid-19.

The most essential for our future efforts regards human rights remain health and safety, security and working conditions for our staff at sea and ashore. We will also define and implement our human rights requirements related to long-term tonnage providers.

Climate and environment

In 2022, we established a cross department climate group with dedicated resources to deal with new regulations and to prepare and educate all staff to understand the implications of new legal requirements and to ensure proper implementation throughout the organisation.

In order to reach the Paris Climate Agreement, we need to collaborate. We have done so by working together with some of our major industry partners on establishing platforms to monitor and take actions on the Carbon Intensity Indicator (CII) and the EU Emissions Trading System (ETS). We have also participated in various working groups on establishing CII clauses under BIMCO and North of England.

By the end of 2022 we bought European Union Allowances (EUA) equal to 10,060 metric tonnes and a face value of EURm 0.8. This purchase covers some forward EUA exposure, but also show our support and commitment to ETS legislation.

We still support the strengthening of restrictions on CO_2 emissions because we believe it is only through tougher regulations that shipping will be able to meet the targets for green shipping. We therefore decided to become a signatory to the Call to Action for Shipping Decarbonisation which was delivered to the COP26 Presidency in Glasgow in October 2021.

We are joining efforts to push regulators (IMO specifically) for stronger regulations to ensure we reach the climate goals. In 2023, we expect to invest in retrofitting of vessels to reduce CO_2 emissions and enable accurate reporting on emissions to clients and authorities.

We constantly seek to minimise the environmental and climatic impact of our operations. We do this through our policies and procedures as well as day-to-day collection, analysis, and monitoring of relevant data. This includes optimal arrival time calculations to reduce the speed of the vessels.

Our environmental and climate policy is reviewed annually by the Board of Directors. The policy stipulates that we endeavour to implement environmental and emission responsible practices, put into practice appropriate monitoring programmes and that we set and review objectives and targets to monitor the improvements. It is updated when required to confirm our commitment to reducing emissions and protecting the seas, while at the same time creating value for our owners, clients, and other stakeholders.

Performance in 2022

We have optimised our operations improving arrivals in respect to tides, line-up and terms in ports and increased activity on bunker surveys to improve the overall awareness on fuel consumption and vessel performance. More focus on hull and propeller cleaning was given in 2022, also reducing the overall fuel consumption. Compared to the year before, we have maintained the relative emissions level.

On the chartering side, improved focus on weather factor was given to discard voyages with too high risk of bad weather, causing less cross pacific voyages performed in wintertime and use of sophisticated tools to gain more insights about port congestions and delays.

In 2022, a new reporting platform was introduced to improve data quality to give better access to operational and fuel consumption data. This has caused the historically reported emission numbers to change, but the trend remains the same. We believe that the current dataset is more trustworthy and representative. We keep improving our data quality and data awareness throughout our organisation, which hopefully will keep improving our reporting capabilities.

Emissions per segment g/tonne-miles*

Segment	**Emission**	**2022**	**2021**	**2020**
Handysize	CO_2	12.6	12.6	10.6
Supramax	CO_2	8.5	11.3	11.0
Total Fleet	CO_2	12.5	12.6	10.6

* Note:
Emissions figures are reported per segment based on actual consumption, and they are calculated in accordance with IMO's guidelines (MEPC.1/Circ. 684). The Greenhouse Gas Protocol (GHGP) is used as the overall greenhouse gas accounting system. We have applied the operational control approach as defined in the GHGP because we seek to create a direct link between our business, our economic bottom line, and our environmental responsibility. The reported emissions are scope 1 emissions. Seven voyages have since 2015 been excluded as these related to carriage of railway wagons, which is not a representative trade.

Our emissions target

Our climate and environment goals are aligned with the United Nations International Maritime Organisation's (IMO) carbon reduction strategy and the climate ambitions defined by the Danish government's climate partnership with the Danish maritime sector of achieving carbon neutrality by 2050.

Anti-corruption

Corrupt practices, especially in the form of demands for facilitation payments, continue to pose a serious risk to the shipping industry and to economic and social development in several countries.

Managing anti-corruption risks

We work against corruption in all its forms, and our Anti-Corruption Policy and our Gift and Hospitality Policy, which are reviewed annually by our Board of Directors, provides guidance for our shore-based and seagoing personnel.

The policies are in line with the principles of the United Nation's Convention against Corruption along with applicable law. The policies are anchored in our compliance programme, the responsibility for which is held by our Board of Directors and Executive Management.

Working proactively to eliminate facilitation payments is still a core element of our anti-corruption policy and our compliance training.

We strongly encourage sharing reports of any demands for facilitation payments between vessel owners, operators, agents, and other participants in the Maritime Anti-Corruption network (MACN) via the network's anonymous reporting database.

We will continue to work actively to encourage crews to report demands for facilitation payments, as it is the only way to gain insight into whether we are successful in reducing them.

Partnering on industry challenges

In 2022, we continued our active participation in the MACN, the global business network working to free the maritime industry of corruption and to enable fair trade to the benefit of society at large. Through the MACN, we discuss and share best practice with other representatives from the industry.

In 2019, we took a seat on the MACN's Board, and in 2022 we continued to contribute to setting the way forward for the network and for the maritime industry.

Our anti-corruption target

We have a zero-tolerance policy towards bribery and facilitation payments.

Trade sanctions

Operating in a highly international business environment, we are subject to increasingly complex and changeable sanctions regulations.

As a consequence of the attack on Ukraine, we instantly ceased our Russian operations.

Compliance with applicable trade sanctions is essential to responsible business conduct. We have intensified our efforts to increase trade sanction transparency and ensure continuous compliance with the various sanctions, cf. paragraph on sanctions risk on page [X]. Our efforts include training on sanctions compliance, procedures for vetting our counterparties and online country and cargo compliance checks.

In 2022, our policy on sanctions compliance policy was re-approved by our Board of Directors and increased compliance screening of counterparties continued.

Whistle-blower portal

Since 2014, internal and external stakeholders have been able to anonymously report concerns of compliance violations through our whistle-blower portal. Only one report has been made to date despite efforts to increase awareness of the portal.

Training and awarenes

As part of our compliance programme, we provide training.

In 2022, this included sanctions training for the organisation. This is to ensure that everyone is aware and updated on rules, policies and practices related to compliance. Compliance training will be continued in 2023.

Data ethics

We have not adopted a policy specifically regarding data ethics. We have chosen not to do so based on the following key points:

•We are not offering services to individual consumers and are therefore not using data for segmentation or personalisation of our services.

•We offer our transportation services to business clients only and terms are negotiated on a case-by-case basis and in person.

•We collect macro-level data on for example commodities, regional economic activity, trade statistics, local vessel supply and demand and vessel tracking data. Data is public and we source the data for analytical purposes and as input to our commercial decisions on risk appetite and the pricing at which we are willing to offer our services.

SUSTAINABLE DEVELOPMENT GOALS

UN SDG GOALS	OUR ACTIONS
3 GOOD HEALTH AND WELL-BEING	Mitigating risk of accidents
5 GENDER EQUALITY	Commitment to gender equality
8 DECENT WORK AND ECONOMIC GROWTH	Commitment to safety Enabling global trade
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Enabling global trade
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Founding member of the IMPA ACT
13 CLIMATE ACTION	Member of the Getting to Zero Coalition
14 LIFE BELOW WATER	Ballast water treatment
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Fight against corruption
17 PARTNERSHIPS FOR THE GOALS	Member of the Maritime Anti-Corruption Network

Income Statement 1 January - 31 December

	Note	2022	2021
		USD '000	USD '000
Revenue	1	**929,952**	**836,588**
Other operating income	3	22,456	0
Vessel running costs		(784,340)	(700,984)
Other external expenses		(11,040)	(8,010)
Gross profit/loss		**157,028**	**127,594**
Staff expenses	2	(22,561)	(15,147)
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	8	(32,943)	(13,510)
Profit/loss before financial income and expenses		**101,524**	**98,937**
Income/loss from investments in subsidiaries	4	77	8,573
Income/loss from investments in associates	3,5	(33,819)	(2,647)
Financial income	6	6,610	1,060
Financial expenses		(5,710)	(6,894)
Profit/loss before tax		**68,682**	**99,029**
Tax on profit/loss for the year	7	8,649	(3,070)
Net profit/loss for the year		**77,331**	**95,959**

Balance Sheet 31 December

Assets

	Note	2022	2021
		USD '000	USD '000
Other fixtures and fittings, tools and equipment		1,382	1,398
Vessels		96,228	0
Right-of-use assets		86,093	62,935
Property, plant and equipment	8	**183,703**	**64,333**
Investments in subsidiaries	9	54,185	57,052
Investments in associates	10	7,149	4,907
Other investments	11	0	0
Deposits	11	355	0
Fixed asset investments		**61,689**	**61,959**
Fixed assets		**245,392**	**126,292**
Bunkers		**11,829**	**6,029**
Trade receivables		3,496	17,109
Receivables from group enterprises	12	22,240	24,682
Receivables from associates		0	905
Other receivables	18	16,347	11,565
Deferred tax asset	16	1,455	2,200
Prepayments	13	8,512	9,535
Receivables		**52,050**	**65,996**
Cash at bank and in hand		**124,574**	**62,033**
Currents assets		**188,453**	**134,058**
Assets		**433,845**	**260,350**

Balance Sheet 31 December

Liabilities and equity

	Note	2022	2021
		USD '000	USD '000
Share capital	14	57	57
Reserve for hedging transactions		0	43
Retained earnings		122,653	74,750
Proposed dividend for the year		68,000	54,000
Equity		**190,710**	**128,850**
Credit institutions		63,759	0
Lease obligations		6,631	34,249
Long-term debt	17	**70,390**	**34,249**
Credit institutions	17	3,646	0
Lease obligations	17	80,289	34,948
Trade payables		9,541	16,222
Payables to group enterprises		59,883	32,179
Other payables	18	16,945	8,631
Deferred income	19	2,441	5,271
Short-term debt		**172,745**	**97,251**
Debt		**243,135**	**131,500**
Liabilities and equity		**433,845**	**260,350**
Special items	3		
Distribution of profit	15		
Contingent assets, liabilities and other financial obligations	20		
Related parties	21		
Subsequent events	22		
Accounting Policies	23		

Statement of Changes in Equity

	Share capital	Reserve for hedging transactions	Retained earnings	Proposed dividend for the year	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Equity at 1 January	57	43	64,210	54,000	118,310
Net effect from change of accounting policy	0	0	10,540	0	10,540
Adjusted equity at 1 January	57	43	74,750	54,000	128,850
Net effect from merger under the pooling of interests method	0	0	108,734	0	108,734
Cash capital increase	0	0	3,763	0	3,763
Ordinary dividend	0	0	0	(54,000)	(54,000)
Extraordinary dividend	0	0	(73,925)	0	(73,925)
Fair value adjustment of hedging instruments, end of year	0	(43)	0	0	(43)
Net profit/loss for the year	0	0	9,331	68,000	77,331
Equity at 31 December	**57**	**0**	**122,653**	**68,000**	**190,710**

Notes to the Financial Statements

		2022	2021
		USD '000	USD '000
1	**Revenue**		
	Geographical segments		
	Globally	929,952	836,588
		929,952	**836,588**
	Business segments		
	Freight revenue	719,524	651,287
	COA revenue	42,530	14,684
	Time charter revenue	167,898	170,617
		929,952	**836,588**
2	**Staff expenses**		
	Wages and salaries	21,488	14,323
	Pensions	833	663
	Other social security expenses	240	161
		22,561	**15,147**
	Including remuneration to the Executive Board and Board of Directors	**1,906**	**824**
	Average number of employees	**58**	**60**
3	**Special items**		
	Gain on sale of vessels (Other operating income)	20,803	0
	Loss on BW Epic Kosan until disposal (Income/loss from investments in associates)	(37,225)	0
	Impairment losses/reversals on right-of-use assets (Depreciation)	0	15,546
		(16,422)	**15,546**

Notes to the Financial Statements

		2022	2021
		USD '000	USD '000
4	**Income/loss from investments in subsidiaries**		
	Share of profits of subsidiaries	153	8,573
	Share of losses of subsidiaries	-76	0
		77	**8,573**
5	**Income/loss from investments in associates**		
	Share of profits of associates	15,519	0
	Share of losses of associates	0	-2,647
	Loss on disposal	-49,338	0
		-33,819	**-2,647**
6	**Financial income**		
	Income from fixed asset investments	3,361	0
	Interest received from group enterprises	522	926
	Other financial income	1,370	134
	Exchange adjustments	1,357	0
		6,610	**1,060**
7	**Tax on profit/loss for the year**		
	Current tax for the year	403	329
	Deferred tax for the year	(7,795)	0
	Adjustment of tax concerning previous years	(1,257)	2,741
		(8,649)	**3,070**

Notes to the Financial Statements

8 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Vessels	Right-of-use assets	Total
	USD '000	USD '000	USD '000	USD '000
Cost at 1 January	10,484	0	147,246	157,730
Net effect from merger	0	69,943	(10,862)	59,081
Additions for the year	0	114,289	69,162	183,451
Disposals for the year	(16)	(87,460)	(38,458)	(125,934)
Cost at 31 December	10,468	96,772	167,088	274,328
Impairment losses and depreciation at 1 January	9,086	0	84,311	93,397
Net effect from merger	0	41,583	(2,904)	38,679
Depreciation for the year	0	1,684	31,259	32,943
Reversal of impairment and depreciation of sold assets	0	(42,723)	(31,671)	(74,394)
Impairment losses and depreciation at 31 December	9,086	544	80,995	90,625
Carrying amount at 31 December	**1,382**	**96,228**	**86,093**	**183,703**

Notes to the Financial Statements

9 Investments in subsidiaries

	2022 USD '000	2021 USD '000
Cost at 1 January	357,694	357,694
Net effect from merger	(58,538)	0
Cost at 31 December	299,156	357,694
Value adjustments at 1 January	(300,642)	(311,189)
Net effect from change of accounting policy	0	1,974
Net effect from merger	55,594	0
Net profit/loss for the year	77	8,573
Value adjustments at 31 December	(244,971)	(300,642)
Carrying amount at 31 December	**54,185**	**57,052**

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Lauritzen Reefers A/S,	Denmark	DKK 100,500k	100 %
J. Lauritzen Singapore Pte.,	Singapore	USD 86,000k	100 %
J. Lauritzen (USA) Inc.,	USA	USD 1k	100 %
LKT Gas Carriers Pte Ltd	Singapore	USD 37,500k	100 %

Notes to the Financial Statements

10 Investments in associates

	2022	2021
	USD '000	USD '000
Cost at 1 January	5,244	5,244
Net effect from merger	65,434	0
Additions for the year	2,910	0
Disposals for the year	(65,434)	0
Cost at 31 December	8,154	5,244
Value adjustments at 1 January	(2,732)	(85)
Net effect from merger	45,715	0
Disposals for the year	(57,829)	0
Net profit/loss for the year	15,519	(1,033)
Dividends received	(1,678)	0
Other adjustments	0	(1,614)
Value adjustments at 31 December	(1,005)	(2,732)
Equity investments with negative net asset value amortised over receivables	0	2,395
Carrying amount at 31 December	**7,149**	**4,907**

Investments in associates are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Admiral Logistics Corporation	Taiwan	USD 10,000K	50 %

Notes to the Financial Statements

11 Other fixed asset investments

	Other investments	Deposits
	USD '000	USD '000
Cost at 1 January	0	0
Net effect from merger	6,795	0
Additions for the year	585	355
Disposals for the year	(7,380)	0
Cost at 31 December	0	355
Net effect from merger	1,827	0
Revaluations for the year	3,374	0
Reversal of revaluations on sold assets	1,055	0
Dividends recived	(6,256)	0
Carrying amount at 31 December	**0**	**355**

	2022	2021
	USD '000	USD '000

12 Receivables from group enterprises

The following receivables fall due for payment more than 1 year after year end	15,302	24,682

13 Prepayments

Prepayments comprise prepaid expenses concerning charter, insurance premiums, etc.

14 Share capital

The share capital consists of 400,002 shares of a nominal value of DKK 1. No shares carry any special rights.

Notes to the Financial Statements

	2022	2021
	USD '000	USD '000

15 Distribution of profit

	2022	2021
Extraordinary dividend	73,925	0
Proposed dividend for the year	68,000	54,000
Retained earnings	(64,594)	41,959
	77,331	**95,959**

16 Deferred tax asset

	2022	2021
Deferred tax asset at 1 January	2,200	2,200
Amounts recognised in the income statement for the year	7,795	0
Net effect from merger	(8,540)	0
Deferred tax asset at 31 December	**1,455**	**2,200**
Tax loss carry-forward	(1,455)	(2,200)
Transferred to deferred tax asset	1,455	2,200
	0	**0**
Deferred tax asset		
Calculated tax asset	1,455	2,200
Carrying amount	**1,455**	**2,200**

The recognized tax asset comprises tax loss carry-forwards expected to be utilised within the next one to three years. However, due to the length of the period, recognition and measurement of the tax asset are subject to uncertainty

In 2005, the Danish based companies of the J. Lauritzen Group, including Lauritzen Bulkers A/S, entered the Danish tonnage taxation system, the adoption of which is binding until at least 2024. Lauritzen Bulkers A/S does not expect to exit the tonnage taxation and thus no deferred tax provision has been made on the assets or liabilities effected by the Danish tonnage taxation system. If, however, Lauritzen Bulkers A/S were to leave the Danish tonnage taxation system there could be a deferred tax liability of up to a maximum of USDm 8.5.

Notes to the Financial Statements

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	2022 USD '000	2021 USD '000
Credit institutions		
Between 1 and 5 years	63,759	0
Long-term part	63,759	0
Other short-term debt to credit institutions	3,646	0
	67,405	**0**
Lease obligations		
Between 1 and 5 years	6,631	34,249
Long-term part	6,631	34,249
Within 1 year	80,289	34,948
	86,920	**69,197**

Notes to the Financial Statements

18 Derivative financial instruments

Derivative financial instruments contracts in the form of forward exchange contracts, interest rate swaps and futures have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to. The contracts are as follows:

Hedge Accounting not Applied:
-Interest rate swaps, with a nominal value of tUSD 15,200 and a duration of 6 months.
-Currency: USD/JPY, with a nominal value of tUSD 38,700 and a duration of 0-3 months.
-Currency: USD/EUR, with a nominal value of tUSD 12,900 and a duration of 0-13 months.
-Currency: USD/DKK, with a nominal value of tUSD 11,600 and a duration of 0-12 months.
-EUA, FFA and oil contracts with a duration of 0-24 months.

Hedge Accounting Applied:
-No contracts.

	2022	2021
	USD '000	USD '000
Assets	4,627	11,379
Liabilities	1,430	226

	Value adjustment, income statement	Value adjustment, equity	Fair value at 31 December
	USD '000	USD '000	USD '000
Interest rate Swaps (Hedge accounting applied)	0	(43)	0
Interest rate Swaps (Hedge accounting not applied)	243	0	243
Currency: USD/JPY (Hedge accounting not applied)	4,117	0	4,177
Currency: USD/EUR (Hedge accounting not applied)	(81)	0	(81)
Currency: USD/DKK (Hedge accounting not applied)	207	0	207
FFA's and oil contracts (Hedge accounting not applied)	(1,350)	0	(1,350)

19 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Charges and security

The Company has issued an owner's mortgage of USD 186m creating a charge on vessels with a carrying amount of USD 96,228k at 31 December 2022. The owner's mortgage is deposited as security for debt to credit institutions which amount to USD 67,405k at 31 December 2022.

As security for lease obligations of USD 86,290k, the company have placed Right-of-use assets with a carrying amount of USD 86,093k at 31 December 2022,

Contingent liabilities

The Company has agreed to charter-in six newbuild vessels on five-year time-charters. Subject to satisfactory completion of discussions about terms, lifting of conditions and subsequent execution of documentation, the lease obligations for the six vessels will be a total USD 128m for the minimum duration of the leases. Purchase options are included on four of the six vessels. These vessels are planned to deliver to the Company during 2023-2025, with two vessels in 2023, one vessel in 2024, and three vessels in 2025.

Lauritzen Bulkers A/S is subject to Danish tax regulations, which means that by law it is taxed jointly, with respect to corporate tax, with all Danish subsidiaries of Lauritzen Fonden (the Group and Group Companies).

The Group Companies are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. Moreover, the Group Companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income.

Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

21 Related parties

	Basis
Controlling interest	
Lauritzen Foundation	Ultimate parent company
J. Lauritzen A/S	Parent company

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements

The Company is included in the Group Annual Report of the Parent Company.

Name	Place of registered office
Lauritzen Fonden Holding ApS	Tranegårdsvej 20, 2900 Hellerup
J. Lauritzen A/S	Tranegårdsvej 20, 2900 Hellerup

The Group Annual Report of J. Lauritzen A/S and Lauritzen Fonden Holding ApS may be obtained at the following address:

https://datacvr.virk.dk/

22 Subsequent events

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

Notes to the Financial Statements

23 Accounting Policies

The Annual Report of Lauritzen Bulkers A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

The Financial Statements are presented in thousand USD. Applied USD/DKK exchange rate on the 31 December 2022: 697.22 (2021: 656.12).

Changes in accounting policies

The Company has previously prepared the Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. As of 2022, the Company has decided to prepare the Financial Statements in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C. Within the framework of the Danish Financial Statements Act, the Company has applied recognition and measurement methods of IFRS 15 regarding revenue and IFRS 16 regarding leasing. Furthermore, the Company has applied the expected credit loss method from IFRS 9 when recognizing impairment of financial assets. The change in the accounting framework has not had any effect on either equity or result.

However, the Company has changed its accounting policy for measuring investments in subsidiaries from cost to equity method. The change has resulted in an increase in the result after tax for 2022 with tUSD 77 (2021: tUSD 8.573) and equity is increased with tUSD 10.617 in 2022 (2021: tUSD 10.540).The comparative figures for 2021 have been restated to reflect the change in accounting policy.

Fee to Auditors

With reference to section 96(3) of the Danish Financial Statements Act the fee to the auditors appointed at the general meeting has not been disclosed.

Consolidated financial statements

With reference to section 112 of the Danish Financial Statements Act and to the consolidated financial statements of J. Lauritzen A/S, the Company has not prepared consolidated financial statements.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of J. Lauritzen A/S, the Company has not prepared a cash flow statement.

Notes to the Financial Statements

23 Accounting Policies (continued)

Recognition and measurement

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

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

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

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

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

The Company uses IFRS 16 when measuring and recognizing leases.

Right of use assets are arising from lease agreements with a duration of more than 12 months. Lauritzen Bulkers have lease contracts on vessels and an offce building. The lease contracts are recognised as right-of-use assets and lease liabilities measured as the present value of lease payments at initial recognition (when the asset is available for use for the Group). A service element corresponding to OPEX on a similar vessel is excluded from the lease at recognition.

The lease expenses are recognised as OPEX, depreciation of the right of use asset and interest expenses. The right-of-use assets are depreciated on a straight-line basis over the lease term. The cash flow related to repayment of the lease obligation is classified as cash flow from financing activities and interest expenses are classified as cash flow from operating activities.

Notes to the Financial Statements

23 Accounting Policies (continued)

Definitions:
• Leases: A firm period above 12 months, with no redelivery options prior to the firm period and with full control of the asset. All leases have been assessed, and low value leased are excluded.
• Discount rates: The discount rate is calculated as a weighted average of the secured and unsecured borrowing rate for a like to like asset. The discount rate is calculated in nominal terms as the cash flows are also in nominal terms based on a 60/40 loan ratio.
• Service elements: The lease commitment is reduced by the service element that has been estimated as the average vessel operating cost of a like to like asset on market terms.

Time charter agreements are typically made for fixed periods but may include extension- and purchase options. Options are included in the recognition if the Company is reasonably certain to exercise the option. If the Company exercises an option which was not previously included, the lease liability is reassessed and adjusted against the right-of-use asset.

Translation policies

USD is used as the presentation currency. All other currencies are regarded as foreign currencies.

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

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

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

Derivative financial instruments

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

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualify as hedge accounting, see below.

Notes to the Financial Statements

23 Accounting Policies (continued)

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset or a recognised liability are recognised in the income statement as are any changes in the fair value of the hedged asset or the hedged liability related to the hedged risk.

Changes in the fair values of derivative financial instruments that are designated and qualify as hedges of expected future transactions are recognised in retained earnings under equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

Revenue

Information on business segments and geographical segments based on the Companys risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

The Group has chosen IFRS 15 as interpretation for revenue recognition.

Revenue consist of three types of contracts with customers; spot contracts with carriage of a specific quantity of cargo in a single voyage, Contract of Affreightment (COA) with carriage of a certain quantity of cargo with multiple voyages over a specified period of time (together freight income), and time-charter contracts of vessels. Each voyage is recognized as a performance obligation no matter if it is part of a spot contract or a COA.

Revenue comprises the present value of services rendered and net of discounts. Revenue is recognised in the income statement for the financial year as earned.

All freight income and voyage costs are recognised as the freight services are rendered (percentage of completion). The percentage of completion is determined using the load-to-discharge method based on the percentage of the estimated duration of the voyage completed at the reporting date. According to this method, freight income and related costs are recognised in the income statement according to the entered charter parties from the vessel's load date to the delivery of the cargo (discharge). The voyage

Notes to the Financial Statements

23 Accounting Policies (continued)

begins on the date when the cargo is loaded, and the voyage ends at the date of the discharge (load to discharge). This applies to all spot transports and transports under Contracts of Affreightment (COAs).

Costs directly attributable to relocating the vessel to the load port under the contract are capitalised to the extent that they are recoverable.

Demurrage is recognised if the claim is considered probable.

Vessel running costs

Vessels running costs include hire of chartered vessels under 12 months, bunker oil, port costs, agent's commissions and other voyage related costs. Furthermore, vessels running costs include fair value changes on financial bunkers contracts used to hedge future bunkers purchases. Hedge accounting is not applied for these transactions.

Vessels running costs also includes maintenance and repairs, insurance of hulls and machinery, consumption of lubricants and supplies etc. Furthermore, a part of the lease payments on time charters is considered a service element and recognised as OPEX in accordance with IFRS 16 Leases.

Other external expenses

Other external costs include sales costs and administrative expenses include land-based activities, and maintenance of equipment. Furthermore, sales costs, marketing costs and administrative expenses are included.

Staff expenses

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

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of property, plant and equipment.

Income from investments in subsidiaries, associates og participating interests

The items "Income from investments in subsidiaries", "Income from investments in associates" and "Income from investments in participating interests" in the income statement include the proportionate share of the profit for the year.

Notes to the Financial Statements

23 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme.

Tax on profit/loss for the year

Tax for the year comprises income tax, tonnage tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to income and expenses recognized in equity is recognized directly in equity.

The Group is subject to the Danish rules on compulsory joint taxation, and is jointly taxed with subsidiaries of the Lauritzen Fonden.

Shipping activities in Denmark are taxed according to the Danish Tonnage Tax Scheme on the basis of the net tonnage (vessels), which the Danish group entities in question have at their disposal, and according to general tax regulations for net financial income and other activities.

Balance Sheet

Property, plant and equipment

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

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

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

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

Vessels	25	years
Docking	3-5	years
Other fixtures and fittings, tools and equipment	5-10	years

Depreciation period and residual value are reassessed annually.

Notes to the Financial Statements

23 Accounting Policies (continued)

Impairment of fixed assets

Management monitors continuously, on a portfolio basis, the carrying value of tangible non-current assets (owned vessels and right-of-use vessels) in order to determine, whether there are any indications of impairment in excess of the amount provided for by normal depreciations and whether previous impairments should be reversed.

An impairment test is conducted if there is an indication that the carrying amount of an asset or a cash-generating unit (CGU) exceeds the expected future cash flows from the asset. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower recoverable amount.
The recoverable amount of the asset is determined as the higher of the net selling price and the value-in-use. If a recoverable amount for the individual assets cannot be determined, the smallest group of assets for which it is possible to determine the recoverable amount (cash-generating unit) is analysed for impairment.

Management's assessment of indication of impairment on owned vessels and leased vessels is based on the that the Group has one CGU: Bulk carriers (owned and right-of-use vessels). An impairment loss is recognised whenever the carrying amount of cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses of assets within a CGU are allocated to the carrying amount of the assets in the CGU on a pro rata basis to the higher of fair value less cost to sell and value in use. Reversal of previous impairments is only recognised if there has been a change in the assumptions used to determine the recoverable amount since the last impairment test was carried out.

Investments in subsidiaries, associates and participating interests

Investments in subsidiaries, associates and participating interests are recognised and measured under the equity method.

The items“Investments in subsidiaries”, “Investments in associates” and “Investments in participating interests” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

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

Notes to the Financial Statements

23 Accounting Policies (continued)

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

Other investments

Other investments comprise investments in unlisted securities in which the Company holds below 20% of the voting rights and does not exercise significant influence. Other investments are measured at fair value. The fair value is made up at the market value at the balance sheet date at a value made up using generally recognised valuation principles if the securities are unlisted. If the fair value cannot be reliably measured, cost is used as an alternative.

Other fixed asset investments

Other fixed asset investments consist of rental deposits, receivables from group enterprises and associates with is due after one year.

Inventories

Bunkers are measured at the lower of cost under the FIFO method and net realisable value.

Receivables

The Company has chosen IFRS 9 as interpretation for impairment of financial receivables.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are included in Trade receivables and Other receivables in the statement of financial position. Trade receivables and Other receivables are stated at amortised cost. Trade and other receivables are measured using the Expected Credit Loss method, and expected losses are recognised in the profit and loss.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's and the Group's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepaid expenses concerning time charter, insurance premiums, etc.

Notes to the Financial Statements

23 Accounting Policies (continued)

Equity

Reserve for net revaluation according to the equity method. Net revaluation of investments in subsidiaries and associates/joint ventures is recognised in the net revaluation reserve according to the equity method. The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Dividend

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

Deferred tax assets and liabilities

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts

Loans, such as mortgage loans and loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Notes to the Financial Statements

23 Accounting Policies (continued)

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit before financials x 100}}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$