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Lauritzen Bulkers A/S

Annual *Report 2021*

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About *Lauritzen Bulkers A/S*

Lauritzen Bulkers is an owner and operator of bulk carriers engaged in ocean transportation of dry bulk cargoes worldwide. Our main presence is in the handysize segment, where we maintain a leading global position.

Lauritzen Bulkers has served the worldwide dry cargo trade for decades, serving a large global base of quality-conscious customers who have selected us as their ocean transport partner.

Our purpose is to enable global trade through intelligent seaborne solutions – creating growth for local communities around the world. We are committed to our clients and live by our four values: resoluteness, accountability, empathy and adaptability.

We use our in-depth experience together with the latest technology to provide efficient, reliable and safe seaborne transport solutions.

As a responsible shipowner and operator, Lauritzen Bulkers supports the need to raise ambitions and commit to fully decarbonise international shipping by 2050. Lauritzen Bulkers is a signatory to the Call to Action for Shipping Decarbonisation, which was delivered to the COP26 Presidency in Glasgow in October 2021.

Lauritzen Bulkers is wholly owned by J. Lauritzen, which has been part of the maritime worldwide trade since 1884.

J. Lauritzen is ultimately owned by Lauritzen Fonden (the Lauritzen Foundation).

The Lauritzen Foundation, which was established in 1945, is a commercial foundation supporting non-profit activities aimed at vulnerable children and young people. The foundation's business activities are grouped under Lauritzen Fonden Holding ApS, which manages investments in the companies J. Lauritzen, DFDS as well as other holdings and assets.

Lauritzen Bulkers *overview*

Lauritzen Bulkers' office location worldwide
Headquarters in Copenhagen, Denmark.
Overseas branch offices in Singapore, the United States, Dubai and Hong Kong.

LAURITZEN BULKERS
FACTS 2021

Owned by J. Lauritzen **100%**

Headquarters in Copenhagen, Denmark
Overseas branch offices in Singapore, the United States, Dubai and Hong Kong

73 employees ashore year-end

40%

60%

17 nationalities

60 seafarers onboard owned vessels year-end

Average controlled fleet of **80** vessels in 2021

Invested capital USDm **107** at year-end 2021

Revenues USDm **837** in 2021

Statement *from Chairman and CEO*

2021 can best be described as an "annus mirabilis" – an exceptional year.

The drybulk market experienced dramatic fluctuations unheard of even in shipping. Within less than a month – from late January to late February – the market increased by 56%. Massive outswings were experienced throughout the year with weekly movements in market levels of more than USD 10,000 per day.

The average market levels were the highest seen in more than ten years. This was driven by manufacturing backlogs together with global government stimuli resulting in high demand and subsequent congestion. This also affected the container supply chain resulting in spillover of cargoes into the handysize drybulk vessel segment.

These market movements were largely caused by the Covid-19 pandemic which also resulted in both operational challenges and strong geographical differentials in market levels. Thus, being correctly geographically positioned was vital to economic performance.

Against this background, Lauritzen Bulkers generated a profit of USDm 102.7, the best result for our dry cargo activities since 2010.

The capabilities and willingness to go the extra mile that the Covid-19 restrictions required for all at sea and in our offices were crucial for the result delivered.

Lauritzen Bulkers has during the two preceding years transformed itself from being predominantly a long-term risk taker to becoming a short-term trader and operator. This enabled the company to take advantage of the high volatility in market levels in 2021.

The transition journey continued in 2021 with increased focus on active portfolio management and we expanded our use of FFAs for hedging. This was facilitated by our strict risk management and portfolio management systems. The objective – in addition to enhancing profitability – is to ensure stable future returns.

Our business model is rooted in a combination of an analytical and data-driven approach, combined with in-house market research and local market knowledge, which enables us to take manageable market positions, an important element of the overall contribution.

From the start of 2022, our commercial activities are organised in three separate business units: 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). Each book has its own focus on the opportunities in its unique business area.

The outlook for 2022 is positive. We have a solid book value and low exposure. But we are not going to settle for that. Growth is necessary to secure stable earnings, reduce our unit costs and build capacity to make investments when the timing is right.

Responsibility

In 2011 our parent company J. Lauritzen, became a signatory to the United Nations Global Compact and since then the ten principles of the UN Global Compact have guided the Group's corporate responsibility efforts and helped us identify any impact our business creates that we must be aware of. This work will be continued in Lauritzen Bulkers.

We believe that responsible business conduct is an essential part of delivering quality maritime transportation services. Accordingly, sustainability 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 or the environment.

We apply this philosophy to new and more experimental initiatives, as well as those that are well established. With this approach, we also participate in industry partnerships such as the Maritime Anti-Corruption Network, Getting to Zero Coalition, as well as initiatives under Danish Shipping, the trade and employers' organisation for Danish shipping and offshore companies.

2021 reinforced that climate is and will be the game changer for the world and our industry in the next decades. We are not going to sit on the sideline, waiting for things to happen. We will be able to offer our clients alternative solutions for reducing CO_2 emission. We have invested in our own vessels to reduce CO_2 emissions and enable accurate reporting on emissions to clients and authorities.

We 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. Lauritzen Bulkers 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.

TOMMY THOMSEN
Chairman of the board of directors

NIELS JOSEFSEN
Chief executive officer (CEO)

Tommy Thomsen

Niels Josefsen

Highlights *2021*

Lauritzen Bulkers' consolidated net result in 2021 was USDm 102.7 and the result before unrealised hedging was USDm 91.0. The result for 2021 includes a USDm 15.5 reversal of impairments. The result compares to 2020 in which we had a net loss of USDm (18.2) and the result before unrealised hedging was a loss of USDm (16.3).

The very satisfactory result for 2021 was achieved by a combination of solid business performance in a strong market and tight focus on risk management.

In parallel with the strong result, the solidity improved notably. At year-end 2021, solvency was 56%, up from 17% at year-end 2020. Cash and cash equivalents were USDm 70.7 (USDm 8.0 by year-end 2020).

Strategic update

During the preceding two years our business model has changed from being predominantly focused on taking long-term risk to being focused on short-term trading. Through this we have enhanced not only the robustness, but also the profitability of the business model.

In 2021 we increased our focus on active portfolio management and expanded our use of Forward Freight Agreements (FFAs) for hedging facilitated by our proprietary risk management and portfolio management systems. The objective – in addition to enhancing profitability – is to increase the stability of future returns.

In 2022, our strategic focus will be on activities that support our overarching objectives: increased activity and delivery of stable, attractive returns.

This will also include strengthening our client outreach and our customised service offerings in combination with increased use of data analytics and automation. The ambition to increase activity entails continuing our work to attract and retain a diverse, talented, and skilled workforce onshore.

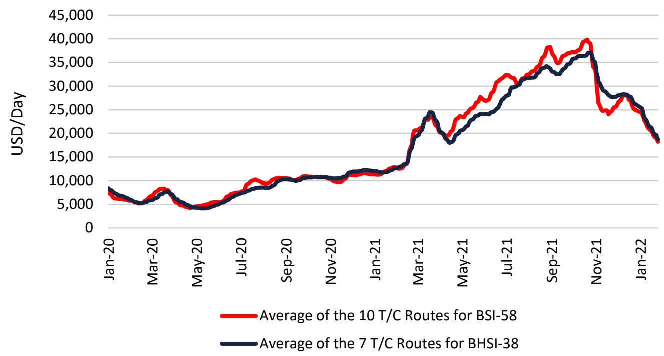
We will increase our efforts to address the requirements to lower the climate impact from our core fleet. As part of that, we will during 2022 install equipment to improve the ability to optimise engine utilisation and fuel consumption on our fleet of owned vessels.

Global market developments in 2021

Starting mid-February 2021, the dry bulk spot market experienced the strongest levels in over a decade, increasing by over 300% throughout the year. This positive development was driven by massive government stimuli supporting demand, which continued to have ripple effects through manufacturing backlogs, record high container markets and port congestion. This and other logistical disruptions resulted in periods where more than 7% of the global dry bulk fleet was tied up, helping to significantly tighten the market balance, pushing the utilisation rates and freight rate levels up.

Furthermore, the dry bulk market was also impacted by a very limited number of vessel deliveries compared to previous years giving additional support to the market. The very strong market pushed contracting up significantly in 2021, with newbuild and second-hand prices increasing to levels not seen since before the financial crisis.

Spot market rates in T/C equivalent USD/day

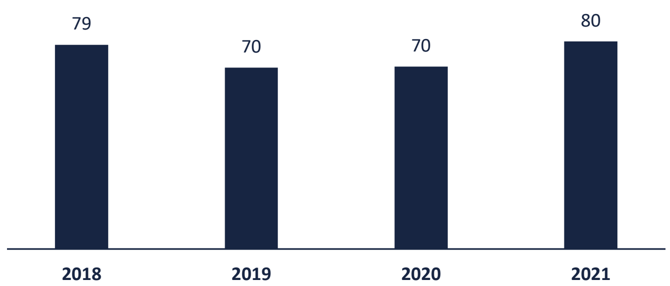


Source: Clarksons Research

Activity in 2021

On the back of buoyant demand for seaborne transportation, we continued to increase our activity in the handysize segment. Total activity in 2021 measured by the total number of ship days performed reached 29,231 corresponding to 80 vessels on average (25,692 ship days with 72 vessels on average in 2020).

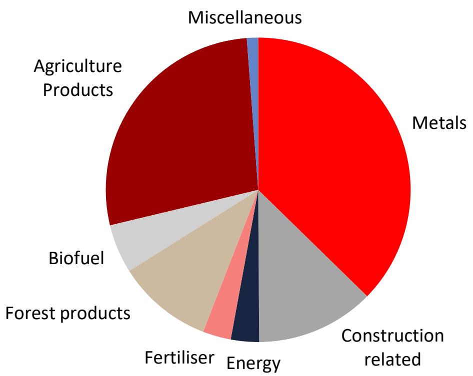
Average number of vessels operated



In early 2021, we opened our branch office in Hong Kong as a part of our plan to offer our services to even more clients in Southeast Asia.

We continued to lift a variety of cargoes, the majority of which were agricultural products, energy, and construction materials. It is operationally demanding to handle many of these commodities due to their nature and/or geographical location and they require dedicated efforts from our professional staff at sea and ashore.

Cargo mix 2021



We served more than 256 clients and the top ten accounted for approximately 23% of Lauritzen Bulkers' revenue in 2021.

Short Term Book
The Short-Term Book had another year of strong results.

The contribution (TCE income less cost of the fleet) of the Short-Term Book ended at USDm 43 based on 19,578 vessel days (compared to 15,262 days in 2020), giving a contribution margin margin (contribution per vessel day) of USD/day 2,170 per vessel day (USD/day 1,009 in 2020).

The performance demonstrates the strength of our operator and client focused business model. The main contributor to the good performance in 2021, was, in part, our decision to turn around the book's position in response to market fluctuations, while maintaining a tight focus on risk management. This enabled the Short-Term Book to capture the full value from its positions. Combined with close client relationships this led to the strong result in 2021.

The Short-Term Book has started 2022 with a neutral position.

The focus for 2022 continues to be on our strong regional market presence, data-driven trading decisions supported by our well-known craftmanship and risk management, excellent voyage execution and client relationships.

Long-Term Book
Active management of the owned and long-term period tonnage commitments secured a contribution of USDm 82 in 2021. The USD/day 16,136 TCE income was USD/day (8,635) below the BHSI-38 index in 2021 (compared to USD 9,040 TCE income per vessel day and USD/day 1,037 above the BHSI-38 index in 2020).

The underperformance compared to BHSI-38 index was a direct result of the business model of the Long-Term Book with its focus on creating stable and positive results by controlling exposure through active risk management. This entails taking profit through chartering out for longer periods where rates are below the spot market (BHSI-38 index).

The Long-Term Book generated 11,045 vessel days in 2021 (11,975 vessel days in 2020).

During 2021, we captured the increase in second-hand values by acquiring one vessel, the Milau Bulker, from an existing 50/50 joint venture and subsequently selling one wholly owned vessel, the Nicoline Bulker.

At year-end, our fleet includes two wholly owned vessels and one vessel owned in a 50/50 joint venture. In Q1 2022, we will take delivery and become the owner of a 2012-built handysize vessel, which up until now has been on long time-charter to us, but where we have declared a purchase option.

The value of wholly owned and part-owned vessels was estimated at USDm 51.9 by independent brokers at year-end 2021. Second-hand values increased 56% during 2021.

Bank debt related to wholly owned and part-owned vessels amounted to USDm 25.1 at year-end 2021 corresponding to a loan-to-value ratio of 38.9%.

Towards the end of the year, we decided to split our long-term portfolio into two separate books: Long-Term Book and Asset Management Book.

At year-end 2021, the Long-Term Book had a minor net long position for 2022.

The focus for 2022 will be to actively trade and optimise our portfolio and positions, adding new medium- and long-term period commitments, and thereby build forward value and activity.

Asset Management Book
Effective 1 January 2022, a dedicated Asset Management Book was established to handle our wholly owned and part-owned vessels as well as chartered tonnage with purchase and period options.

The establishment of the Asset Management Book will enable a stronger focus on the management of options embedded in the long-term chartered fleet, new long-term charters, sales & purchase opportunities, etc., in addition to the management of the increasing regulatory demands related to climate change and environmental impact.

The Asset Management Book shall also support our goal of delivering attractive returns from our long-term commitments and vessel ownership.

The Asset Management Book opens with a minor net long position for 2022.

Events after the balance sheet date
No events have occurred after the balance sheet date which could materially affect the presented financial statements and management review.

SHORT-TERM BOOK:
Managing short-term period vessels and all cargoes. The mandate allows this book to take positions four months forward. The Short-Term Book additionally ensures employment for the Long-Term Book and Asset Management Book vessels if these are not employed on longer-term contracts.

LONG-TERM BOOK:
Managing period vessel commitments and FFA (Forward Freight Agreement) exposure with a duration of four months to two years.

ASSET MANAGEMENT BOOK:
Managing owned tonnage, part-owned tonnage, FFA and period vessels with purchase and period options. Focus is on activities with more than a two-year commitment horizon and sales & purchase.

Key *figures*

USDm	2021	2020	2019	2018*	2017*
Income statement					
Revenue	837	388	409	462	464
Time-charter equivalent income (TCE)	597	220	243	(1)	(17)
Operating income before depreciation (EBITDA) and special items	113	28	37	(22)	(41)
Operating income (EBIT) before special items	96	(9)	(25)	(28)	(48)
Special items, net	16	0	(44)	16	30
Financial items, net	(6)	(9)	(19)	(5)	(7)
Profit/(loss) from continuing operations before tax	106	(18)	(88)	(17)	(25)
Lauritzen Bulkers Group's share of profit/(loss)	103	(18)	(88)	(18)	(27)
Balance sheet					
Non current assets	118	128	149	121	135
Investment in tangible assets**	16	0	-	-	-
Total assets	236	149	181	97	143
Total equity	129	26	12	30	57
Invested capital	113	108	142	0	0
Key figures and financial ratios					
Average number of employees	110	115	193	237	263
Total number of ship days	29,178	25,697	25,560	28,762	32,114
DKK exchange rate year-end	656	606	668	652	621
Average DKK exchange rate	629	654	667	632	660
Profit margin	11.0%	(2.3)%	(6.1)%	(5.9)%	(10.0)%
Solvency ratio	55%	17%	7%	31%	40%

*Comparative figures for 2017 have not been adjusted for change in accounting policies based on IFRS 9 and IFRS 15, and comparative figures for 2017-2018 have not been adjusted for change in accounting policies based on IFRS 16.
**Comparative figures for 2017 to 2019 have not been restated.

Outlook *2022*

The exceptionally strong dry bulk markets experienced in 2021 were supported by a perfect storm of economic activity with the gradual economic recovery throughout 2020-21 supported by substantial, global government stimuli to offset the negative impact on economic activity from COVID-19.

In addition to the fiscal stimuli, massive manufacturing backlogs, record high container markets, high levels of port congestion and limited vessel deliveries supported the shipping market where Lauritzen Bulkers does business, and it appears the support will continue to be present in 2022, but at a more restricted level.

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

- Continued development of Covid-19 and the impact on economic activity and inflation
- Climate change and the need to reduce transportation-related carbon emissions
- International trade policy developments, especially the relationship between China and the US
- Oil and commodity price volatility
- Normalisation of container shipping markets
- Normalisation of port congestion levels

Supply growth will continue to be limited and combined with continued demand growth, the supply/demand balance supports a firm dry bulk market again in 2022.

Lauritzen Bulkers expects profit in 2022 of USDm 20-50. The profit is sensitive to changes in the dry bulk market rates as approximately 70% of our expected activity in 2022 is currently covered.

Lauritzen Bulkers' management team.

Currency and interest rate fluctuations as well as effects from the sale of assets, if any, may impact the result.

Beyond 2022, we foresee market conditions gradually normalising to a more balanced market.

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).

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.

Responsible business conduct is an essential part of our DNA, and it is the only way we can succeed in the long run. Accordingly, responsibility is of the utmost importance to us.

We have during the two preceding years transformed our business model from being predominantly a long-term risk taker to becoming a short-term trader and operator primarily within the global handysize bulk carrier segment.

PEOPLE

The importance of people has been recognised by J. Lauritzen, and it goes without saying that our people ashore and at sea are our most important assets.

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

Employee well-being

Also in 2021, our staff were affected by remote working due to the COVID-19 pandemic. However, our engagement surveys continued to confirm excellent performance and well-being of our staff throughout the year in all our geographical locations.

Diversity

We continued our focus on gender diversity, and the female share of employees on shore reached 40% at year-end 2021 compared to 35% in 2020. That is encouraging, and we are committed to continuing our efforts towards an even more balanced gender diversity in 2022.

The distribution of women and men in managerial positions in our shore-based organisation was 29% female and 71% male compared to 8% female and 92% male in 2020.

In 2021 we also saw an increase in the number of nationalities among our new recruits. At year-end, we employed 20 different nationalities compared to 15 at year-end 2020. We expect national diversity to further 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 and inclusion, not only in terms of gender diversity, but in terms of diversity in general as we strongly believe that this is an important prerequisite for realising our growth ambitions.

Our diversity target

We strive to reach 42% female employees in 2022 by increased focus on female candidates in our search for additional employees to fulfil our growth ambitions.

By year-end 2020, our target for women in managerial positions was to reach 25% by year-end 2023. As we have already achieved this target, a new target has been set, in which we will strive to achieve 36% women in managerial positions by year-end 2025.

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 133 people, of whom 73 were ashore and 60 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 relationships with our external technical vessel managers 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 2021, unchanged compared to 2020.

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 0.3 deficiencies were reported during Port State Controls in 2021, unchanged compared to 2020. In 2021, we had zero detentions (zero in 2020).

In 2021, we continued to perform remote inspections through masters and senior officers on board, as it was not possible to conduct routine inspections due to the Covid-19 pandemic. The average RightShip Safety Score for our own and part-owned fleet was 4.0 on the five-step scale at year-end 2021.

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 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-harasment and we regard our procedures as robust since no reports have ever been made through our whistle-blower chanel.

In 2021, an online seminar was conducted with the board of directors on attracting more women to the company and and a gender language analysis tool for job adds is being used.

In early 2022, managers participated in a training seminar on promoting diversity and inclusion.

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.

In 2021, Lauritzen Bulkers and the Lauritzen Foundation signed the Neptune Declaration on Seafarer Wellbeing and Crew Change in a worldwide call to action to end the unprecedented crew change crisis caused by Covid-19. The action came as hundreds of thousands of seafarers from across the globe were left stranded working aboard ships beyond the expiry of their initial contracts and unable to be relieved due to Covid-19. In 2021, we regrettably experienced this risk with the result that scheduled crew changes were postponed.

The most essential considerations for our future efforts regarding human rights are still the 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

We 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. We have also invested in our own 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 2021

Despite above initiatives our relative CO_2 emissions increased by 15% from 9.6 g CO_2 per tonne-mile in 2020 to 11.1 g CO_2 per tonne-mile in 2021. However, this a reduction of 17% compared to 2012, when accurate measurment of our emissions started.

This development was not unexpected as Covid-19 forced vessels to deviate for crew changes, ballasting to areas without quarantine rules, and long waiting times for berthing and delayed port turn-around times. These delays and the high demand for transportation also required higher speed.

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 AND SANCTIONS

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, provide 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 national 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.

Emissions per segment g/tonne-miles*

Segment	Emission	2021	2020	2019
Handysize				
	CO_2	11.1	9.6	10.9
	So_x	0.03	0.03	0.2
Supramax				
	CO_2	11.1	10.3	7.8
	So_x	0.03	0.03	0.1
Total Fleet				
	CO_2	11.1	9.6	10.7
	So_x	0.03	0.03	0.2

***EMISSIONS 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 and include all operated vessels.

We strongly encourage our crews to report any demands for facilitation payments and share such reports with 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 2021, 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 Steering Committee, and in 2021 we continued to contribute to setting the way forward for the network and for the maritime industry as a whole.

Trade sanctions

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

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.

In 2021, a policy on sanctions compliance policy was approved by our board of directors and increased compliance screening of counterparties was initiated.

Whistle-blower portal

Since 2014, internal and external stakeholders have been able to anonymously report concerns of compliance violations through our whistle-blower portal. However, no reports have been made to date despite efforts to increase awareness of the portal.

Training and awareness

As part of our compliance programme, we provide continuous training.

We conduct compliance training for the organisation. This is to ensure that everyone is aware and updated on rules, policies and practices related to anti-corruption, gifts, hospitality and related topics. Compliance training will be continued in 2022.

Our anti-corruption and sanctions target

We have a zero tolerance policy towards bribery, facilitation payments and sanctions violation. Our efforts include training on sanctions compliance, procedures for vetting our counterparties and online country and cargo compliance checks. On-line compliance training for the land-based organisation is scheduled for 2022.

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 personal 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

Corporate *governance*

Management structure
In accordance with the Danish Companies Act, we have a two-tier management structure consisting of two separate bodies: the board of directors and the executive management. The board of directors is the central, supreme governing body. Day-to-day management is conducted by the executive management in line with the rules and procedures laid down by the board of directors.

Board of directors
The core task of the board of directors is to ensure that Lauritzen Bulkers has a proper business strategy and an appropriate capital structure, just as the board must ensure the sound organisation of the company's activities. In addition, the board focuses on risk management and internal control as well as ensuring that budgets and estimates are drawn up and approved and that monthly and quarterly reports are submitted. Procedures and key policies are reviewed annually in accordance with an annual wheel of the board of directors.

The individual contribution of the board's members, its results and cooperation with the executive management are evaluated annually.

Board members elected at the general meeting serve for one year and may stand for re-election.

In March 2021, Barbara Plucnar Jensen left her position as member of the board and as chairman of the Audit Committee, and Adam Pedersen Norhald left as member of the board elected by the employees. At year-end 2021, the board of directors consisted of three members (five members by year-end 2020), all elected by the general meeting.

The diversity profile of the members of the board of directors elected by the general meeting was 0% female at year-end 2021 (25% in 2020) following the resignation of Barbara Plucnar Jensen. One member resides outside Denmark (unchanged). It is the aim that the underrepresented gender shall be 25% within the coming two years.

At year-end 2021, the average length of board members' service was eight years.

The board conducted seven meetings during 2021. Between meetings, recommendations were submitted to the board for written resolution.

In connection with the streamlining of the board, it was resolved that it is no longer relevant to have permanent committees to support the board with respect to remuneration and nominations, and with respect to audit matters.

Executive management
The executive management is appointed by the board of directors and consists of Niels Josefsen as CEO, responsible for the day-to-day management of the organisation.

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

- Lauritzen Bulkers is not offering services to individual consumers and is therefore not using data for segmentation or personalisation of its 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.

LAURITZEN FONDEN

Lauritzen Bulkers is wholly owned by J. Lauritzen A/S, which has been engaged in ocean transport since it was founded in 1884. Lauritzen Fonden (the Lauritzen Foundation) was established in 1945 and has been the sole owner of J. Lauritzen ever since.

Lauritzen Fonden is a commercial foundation and is a self-governing institution under Danish law. It is regulated by the Danish Act on Commercial Foundations and is subject to supervision by the Danish Business Authority.

Through its charter, the Foundation is committed to promoting and developing the Danish shipping industry and sup-porting related education, culture and social work.

In addition to its ownership of J. Lauritzen via Lauritzen Fonden Holding ApS, the Foundation has the controlling interest in DFDS A/S (43% holding), Northern Europe's largest integrated shipping and logistics company. Through Lauritzen Fonden Holding ApS, Lauritzen Fonden also has investments in other businesses and real estate. Lauritzen Fonden Holding ApS is also engaged in financial and asset management including impact investing, with the aim of generating measurable social impact as well as financial return.

Risk *management*

Background of risk management
In 2021, we continued the journey initiated in 2020 towards a system-supported portfolio approach to manage our commercial risks. The cornerstones were laid in 2020 by implementation of a proprietary portfolio management system and route calculation system. These systems have enabled improvements in commercial risk management in 2021.

Commercial risk is the primary risk in Lauritzen Bulkers, and it comes from taking positions in the market. The ability to take a position and manage that position is an essential capability. For other categories of risk (described in the table overleaf), the attitude generally is to minimise the particular risk to an acceptable level.

Commercial risk
A key 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).

The business model is rooted in a combination of an analytical and data-driven approach, combined with in-house market research and local market knowledge, which enables us to decide to take calculated market positions that increase profits. The focus is primarily on taking short and medium-term positions which have high liquidity and are therefore easier to manage.

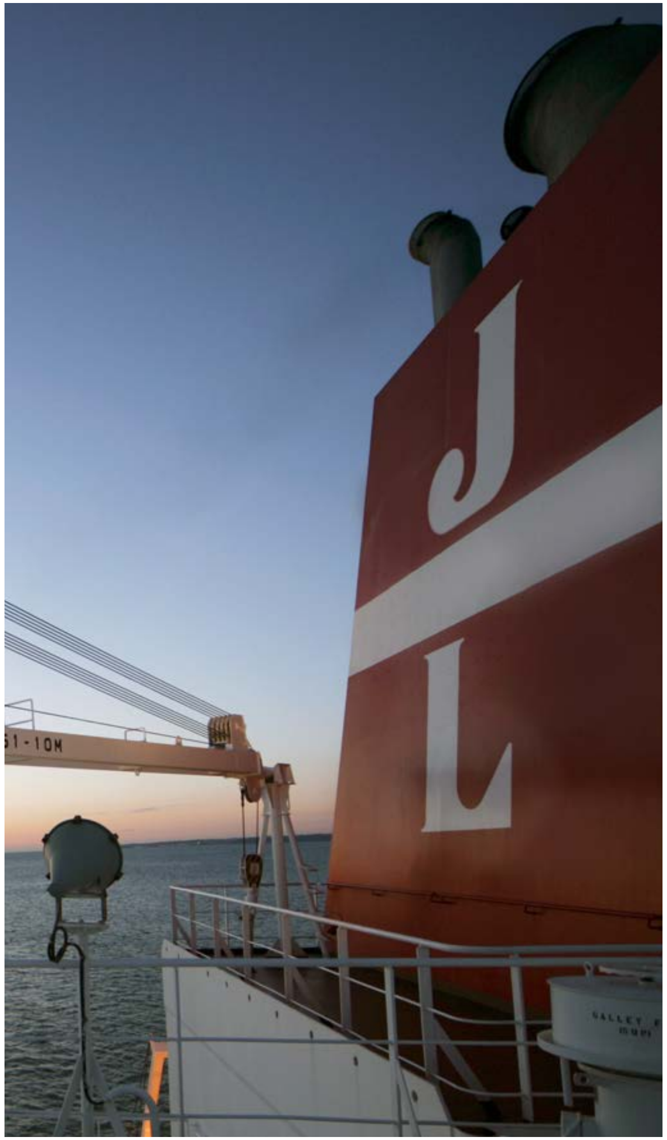
Volatility in market levels, base margins and vessel values, as well as geographical imbalances in demand and supply, are the underlying factors of the commercial risk.

The portfolio management systems assist us in monitoring and managing the forward value of our cargoes, positions, hedging and realised values. The use of the systems is an integrated part of daily commercial decision making and risk monitoring as well as for reporting directly to our board of directors to ensure that executive management is within the given risk mandate.

The process to enhance the commercial risk management is an ongoing process where constant development is needed to ensure the risk framework is aligned with the developments of our business model and fluctuations in the dry bulk market.

Credit risk
At the beginning of 2022 we will implement a new counterparty risk policy which also includes a new framework. We now evaluate credit risk and connect the total risk amount with a maximum credit risk limit for each counterparty. Furthermore, the new framework will tighten our sanction control system to ensure that we do not enter agreements with counterparties who have been sanctioned.

Climate regulations
The increasingly tougher regulations imposed on the shipping industry to meet the targets for green shipping are a challenge as well as an opportunity for Lauritzen Bulkers. There are impacts across our business model and on our assets both technically and economically from climate regulations and managing these is a strategic priority.



Risk *management*

TYPE OF RISK	RISK DESCRIPTION	MITIGATION
Bunker price risk	Fuel is the single most important variable cost factor. Cargo contract earnings can be heavily influenced by bunker price volatility.	Hedging of bunker consumption is arranged when a forward commitment is accepted if a bunker adjustment factor is not included in the cargo contract.
Counterparty risk	We engage with a considerable number of counterparties, e.g. tonnage providers, time charter clients, cargo owners.	Counterparty risk is mitigated by systematic identification, assessment and monitoring of clients' creditworthiness as well as sanctions risk. A new framework and policy will be implemented in 2022. Our framework is continually developed to ensure that it has enough agility to work in our business environment and still minimise our counterparty risk.
Piracy	In certain parts of the world, particularly in West Africa, crews and vessels are exposed to pirate attacks in the form of theft and/or kidnapping.	We experienced no piracy attacks in 2021. Identifying and managing such risks are paramount to us. We adhere to recommendations and best management practices from relevant national and international bodies. Before entering high-risk areas, separate risk evaluations will be undertaken together with external experts.
Financial risk	Financial risk arises from payment obligations, from maturing debt raised to finance assets, from cash flows in currencies other than USD and from credit risk related to financial counterparties either through holding our deposits or in their role as counterparty to hedging.	Liquidity is managed on a daily basis to ensure availability of funds to cover daily flows. The daily liquidity management is supplemented with weekly and monthly forecasts as well as multi-year projections on changes in liquidity. Our owned fleet is financed in a secured loan facility with maturity in 2023 but with option to request extension by one year and a further one year. Based on the expected non-USD costs for the next 12 months, we hedge 50–70% of the currency exposure. We do not have non-USD debt. Risk related to floating interest rates is 40–60% hedged into fixed rate. Management of currency and interest rate risk remained unchanged in 2021.
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 crew, vessel and cargo.	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.
IT and cyber risk	We are highly dependent on stable IT systems.	We have implemented industry best practices to protect our systems and check these against the 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, and there is an overall transformation towards security setup based on the Zero Trust Model.

Board of *directors & management*

CHAIRMAN OF THE BOARD

TOMMY THOMSEN
Member since 2018
CEO of Lauritzen Fonden

Chairman of the board of:
J. Lauritzen A/S
Lauritzen Kosan A/S
C.W. Obel A/S
NanoNord A/S
The Danish Maritime Fund

Board member of:
BW Epic Kosan Ltd.
PSA International Pte Ltd, Singapore
Panama Canal Advisory Board
Durisol UK
SmartVan A/S
AHK nr. 186 ApS

VICE CHAIRMAN OF THE BOARD

KRISTIAN V. MØRCH
Member since 2018
CEO of Odfjell SE, Norway

Chairman of the board of:
Maersk Broker

Vice Chairman of the board of:
J. Lauritzen A/S
J. Lauritzen Invest A/S

Board member of:
BW Epic Kosan Ltd.

BOARD MEMBER

PETER POUL LAURITZEN BAY
Member since 2003
Owner & Managing Director,
J. Krebs & Co. A/S

Member of:
Alm. Brand, Representatives Executive Committee

MANAGEMENT

CHIEF EXECUTIVE OFFICER (CEO)

NIELS JOSEFSEN
Joined Lauritzen Bulkers in 2018 //
In current position since December 2018

VICE PRESIDENT

RASMUS FRANCIS JENSEN
Joined Lauritzen Bulkers in 2014 //
In current position since June 2018

VICE PRESIDENT

CARL WEGEBERG
Joined Lauritzen Bulkers in 1983 //
In current position since March 2005

HEAD OF GLOBAL OPERATIONS

METTE STENILD GRØN
Joined Lauritzen Bulkers in 2020 //
In current position since January 2020

CHIEF FINANCIAL OFFICER

JACOB WINTHEREIK
Joined Lauritzen Bulkers in 2021 //
In current position since June 2021

Financial *review*

OPERATING ACTIVITIES

Results

In 2021 the result was USDm 103 compared to USDm (18) in 2020.

Revenue and time-charter equivalent income

Revenue increased from USDm 388 in 2020 to USDm 837 in 2021.

The time-charter equivalent income amounted to USDm 597 based on 29,231 ship days, compared to USDm 220 in 2020 based on 25,692 ship days.

Hire of chartered vessels increased from USDm (132) in 2020 to USDm (424) in 2021.

Operating costs for owned and leased vessels totalled USDm (37), down from USDm (43) in 2020 primarily due to a reduction in operating costs for leased vessels.

EBITDA before special items

Operating income before depreciation and special items (EBITDA) amounted to USDm 113 compared to USDm 28 in 2020.

Depreciation of owned and leased vessels amounted to USDm (28) against USDm (36) in 2020 mainly due to a reduction in the depreciation of leased vessels.

Profit and loss from vessel sales amounted to USDm 7 in 2021 compared to USDm (1) in 2020.

Operating income and special items

Operating income before special items amounted to USDm 96 compared to USDm (9) in 2020.

Special items in 2021 amounted to USDm 16, relating to reversal of impairment losses on right-of-use assets, compared to nil in 2020.

Financing and tax

Net financial income and expenses amounted to USDm (6), down from USDm (9) in 2020 due to lower interest costs on leased vessels.

Income tax amounted USDm (3) compared to USDm (0) in 2020 primarily due to adjustment to income tax for previous years.

OPERATING ASSETS AND LIABILITIES

Vessels

The carrying amount of owned vessels totalled USDm 28, up from USDm 27 in 2020, mainly due to the purchase of one vessel and sale of one vessel. Right-of-use assets amounted to USDm 55.

At year-end 2021, the fleet was tested for indications of impairment or need to reverse existing impairments. The test resulted in a need to reverse USDm 16m of remaining impairment losses on right-of-use assets but resulted in no need to make impair-ments or reversal of existing impairment losses on owned vessels.

Investments in joint ventures

Investments in joint ventures totalled USDm 5. In 2020, investments in joint ventures amounted to USDm 5.

Net working capital and other receivables

Net working capital increased to USDm 6 from USDm 4 in 2020 due to an increase mainly trade receivables and prepaid costs.

Invested capital

Invested capital amounted to USDm 113, up from USDm 108 in 2020.

At year-end 2021, total assets amounted to USDm 236 compared to USDm 149 in 2020.

CAPITAL STRUCTURE AND FINANCES

Equity

Shareholders' equity was USDm 129, up from USDm 26 in 2020. Solvency was 55%, up from 17% at year-end 2020.

Liabilities

Net interest-bearing debt including lease debt was reduced to USDm 6 down from USDm 105 in 2020 primarily due to the increase in cash.

At year-end 2021, total liabilities amounted to USDm 107, against USDm 123 in 2020 reflecting the reduction of lease obligations.

CASH FLOW AND FINANCIAL RESOURCES

Cash flow from operating activities totalled USDm 93 compared to USDm 14 in 2020, mainly due to an increase in cash from operations.

Cash flow from investment activities amounted to USDm 4 due to vessel sales and purchases compared to USDm (1) in 2020.

Cash flow from financing activities amounted to USDm (34) compared to USDm (17) in 2020 where the company had an increase in share capital.

Cash and cash equivalents at year-end amounted to USDm 71 compared to USDm 8 in 2020.

Management *statement*

The board of directors and the executive management have today discussed and approved the annual report of Lauritzen Bulkers A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in 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 of the Group and Parent Company at 31 December 2021 and of the results of their operations and cash flows for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, results for the year, cash flows and financial position as well as a description of material risks and uncertainties that the Group and Parent face.

We recommend that the annual report be approved at the annual general meeting.

Hellerup, 21 February 2022

EXECUTIVE MANAGEMENT

NIELS JOSEFSEN
Chief executive officer (CEO)

BOARD OF DIRECTORS

TOMMY THOMSEN
Chairman

KRISTIAN V. MØRCH
Vice Chairman

PETER POUL LAURITZEN BAY

Independent *auditors' report*

To the shareholders of Lauritzen Bulkers A/S

Opinion

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

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

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial 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 and Parent Company 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 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 skepticism 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.
- 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.

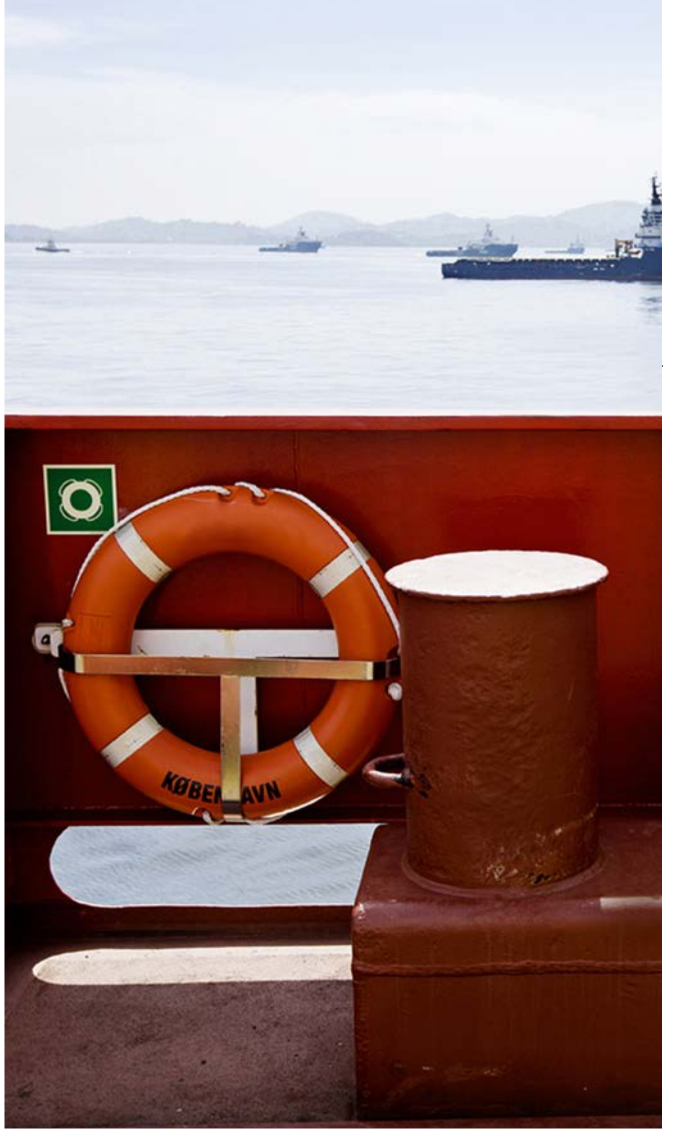
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 21 February 2022

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



Consolidated financial statements

Notes

Income Statement

USD '000	Note	2021	2020
Revenue	2.1	836,588	388,148
Voyage related costs	2.1	(239,535)	(168,630)
Time-charter equivalent income		**597,053**	**219,518**
Other operating income	2.1	404	64
Hire of chartered vessels	3.2	(424,049)	(132,454)
Operating costs of vessels	2.3, 2.4	(37,291)	(42,873)
Administrative costs	2.3, 2.4	(22,960)	(16,398)
Operating income before depreciation (EBITDA) and special items		**113,157**	**27,857**
Profit/(loss) on sale of vessels and other assets		6,662	(502)
Depreciation	3.1, 3.2	(27,815)	(36,308)
Share of profit in joint ventures	3.5	4,088	(263)
Operating income (EBIT) before special items		**96,093**	**(9,216)**
Special items, net	2.2	15,546	-
Operating income (EBIT) after special items		**111,639**	**(9,216)**
Financial income	4.3	1,060	1,199
Financial expenses	4.4	(7,052)	(9,848)
Profit/(loss) before tax		**105,648**	**(17,865)**
Income tax		(2,950)	(290)
Profit/(loss) for the year		**102,698**	**(18,155)**
Profit/(loss) attributable to:			
The Lauritzen Bulkers A/S Group		**102,698**	**(18,155)**
		102,698	(18,155)

Statement of Comprehensive Income

USD '000	Note	2021	2020
Profit/(loss) for the year		**102,698**	**(18,155)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income:			
Exchange differences on translating foreign operations		392	50
Fair value adjustment of hedging instruments during the year		45	653
Gain/(loss) on hedging instruments transferred to financial expenses		6	82
Other comprehensive income net of tax		**443**	**785**
Total comprehensive income for the year		**103,141**	**(17,370)**
Total comprehensive income attributable to:			
The Lauritzen Bulkers A/S Group		**103,141**	**(17,370)**
		103,141	**(17,370)**

Balance sheet statement

ASSETS

USD '000	Note	2021	2020
Vessels, property and equipment	3.1	29,784	28,724
Right-of-use assets	3.2	55,170	68,465
Investments in joint ventures	3.4	4,892	5,083
Deferred tax assets	5.1	2,200	2,200
Long term receivables from group entities		24,682	20,018
Receivables from joint ventures		966	2,768
Other receivables		-	265
Non-current assets		**117,694**	**127,523**
Bunkers		6,018	4,934
Trade receivables	4.5	17,109	-
Other receivables		3,075	1,020
Prepayments		9,544	6,582
Derivative financial instruments	4.5	11,379	1,087
Cash and cash equivalents		70,852	7,986
Current assets		**117,976**	**21,609**
Total assets		**235,670**	**149,132**

LIABILITIES

USD '000	Note	2021	2020
Share capital		57	57
Retained earnings		134,057	31,358
Reserves		(5,263)	(5,706)
Equity	4.6	**128,850**	**25,709**
Long-term borrowings	4.1	12,922	13,310
Long-term lease obligations	3.2, 4.1	26,517	66,530
Non-current liabilities		**39,439**	**79,841**
Current portion of long-term borrowings	4.1	1,736	1,541
Current portion of long-term lease obligations	3.2, 4.1	34,948	31,394
Trade payables		16,165	6,764
Other payables		8,685	1,993
Deferred income		5,271	-
Derivative financial instruments	4.5	227	1,540
Current tax payables	5.1	348	349
Current liabilities		**67,381**	**43,582**
Total liabilities		**106,820**	**123,423**
Total equity and liabilities		**235,670**	**149,132**

Cash flow statement

USD '000	Note	2021	2020
Operating income before special items		96,093	(9,216)
Depreciation carried back		27,815	36,308
Share of profit in joint ventures		(4,088)	263
(Profit)/loss on sale of vessels and other assets		(6,662)	502
Change in bunkers		(1,084)	7,665
Change in receivables		(32,899)	(8,978)
Change in payables		21,363	(4,949)
Cash flow from operations before financial items		100,537	21,594
Ingoing financial payments		1,060	514
Outgoing financial payments		(5,839)	(7,709)
Cash flow from ordinary operations		95,759	14,399
Paid corporate tax	5.3	(2,924)	(38)
Cash flow from operating activities		**92,834**	**14,361**
Investments in vessels	3.1	(15,647)	-
Investments in machinery and equipment	3.1	(17)	-
Sale of vessels		19,800	(502)
Bank deposits pledged as security for debt		(132)	-
Cash flow from investment activities		**4,004**	**(502)**
Financial receivables		-	(26)
Installment on long-term debt		(9,237)	(9,723)
Proceeds from loans		9,000	1,740
Installment on lease debt (IFRS 16)		(33,692)	(40,134)
Increase in share capital		-	31,040
Cash flow from financing activities		**(33,928)**	**(17,102)**

	2021	2020
Changes for the year in cash and cash equivalents	62,910	(3,243)
Cash and cash equivalents at beginning of year	7,986	10,907
Currency adjustments on cash and cash equivalents	(43)	321
Cash and cash equivalents at the end of the year	**70,852**	**7,986**

Equity statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2021	57	(8)	(52)	(5,646)	(5,706)	31,358	25,709
Profit/(loss) for the year	-	-	-	-	-	102,698	102,698
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	392	392	-	392
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	6	-	-	6	-	6
Fair value adjustment of hedging instruments during the period	-	45		-	45	-	45
Total other comprehensive income	-	51	-	392	443	-	443
Total comprehensive income	**-**	**51**	**-**	**392**	**443**	**102,698**	**103,141**
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity 31/12 2021	**57**	**43**	**(52)**	**(5,254)**	**(5,263)**	**134,057**	**128,850**

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2020	65,473	(744)	(52)	(5,696)	(6,492)	(46,942)	12,039
Profit/(loss) for the year	-	-	-	-	-	(18,156)	(18,156)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	50	50	-	50
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	82	-	-	82	-	82
Fair value adjustment of hedging instruments during the period	-	653		-	653	-	653
Total other comprehensive income	-	735	-	50	785	-	785
Total comprehensive income	**-**	**735**	**-**	**50**	**785**	**(18,156)**	**(17,371)**
Transactions with owners:							
Capital increase	7	-	-	-	-	31,033	31,040
Share capital reduction	(65,423)					65,423	-
Total transactions with owners	**(65,416)**	**-**	**-**	**-**	**-**	**96,456**	**31,040**
Equity 31/12 2020	**57**	**(8)**	**(52)**	**(5,646)**	**(5,706)**	**31,358**	**25,709**

Section 1
Basis for reporting

For improved presentation and relevance of the contents of the financial statements the explanatory notes are gathered into sections with information of key areas, and the accounting policies and critical accounting estimates and judgments are presented in the notes to which they relate.

The general accounting policies that apply to the consolidated financial statement as a whole are described below. The accounting policies, judgements and estimates are consistent with those applied in the consolidated financial statements for 2020

NOTE 1.1 GENERAL INFORMATION

Lauritzen Bulkers A/S is a private limited company with domicile in Denmark. The consolidated financial statements for the period 1 January – 31 December 2021 comprise Lauritzen Bulkers A/S and its subsidiaries (The Group).

With effective date January 1, 2020 the activities of Lauritzen Kosan A/S were separated from the activities of Lauritzen Bulkers. The net activities of the Kosan activities were contributed from Lauritzen Bulkers A/S (formerly J. Lauritzen A/S) into Lauritzen Kosan A/S (formerly KRK 4 ApS). The shares of Lauritzen Kosan A/S were subsequently transferred from Lauritzen Bulkers A/S to the new J. Lauritzen A/S, a newly established company that is now the parent company of the J. Lauritzen Group.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements for annual reports of reporting class C, large enterprises in accordance with in the Danish Financial Statements Act.

Intra-group business combinations
In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., involving enterprises controlled by the parent company, the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired net assets are recognised directly in equity. Moreover, comparative figures for previous financial years are restated.

NOTE 1.2 CHANGE IN ACCOUNTING POLICIES AND NEW FINANCIAL REPORTING STANDARDS

We have assessed the effect of the new standards, amendments, and interpretations and have concluded that all standards, amendments, and interpretations effective for financial years beginning on or after 1 January 2021 are either not relevant to the Lauritzen Bulkers or have no significant effect on the Financial Statements of the Lauritzen Bulkers.

NOTE 1.3 GENERAL ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements are presented in US dollars, which is Lauritzen Bulkers's functional currency. All amounts have been rounded to the nearest thousand.

The accounting policies set out below have been applied consistently by all Group entities and to all periods presented in these consolidated financial statements.

Materiality in financial reporting
In preparation of the Annual Report, Management considers the presentation of financial statements to ensure content is relevant and material for the user. A judgment is made of whether more detailed specifications are necessary in the presentation of the Groups financial position and results or whether an aggregation of less material amounts is preferred. The notes to the financial statement are prepared with focus on ensuring that the content is relevant and the presentation clear. All judgments are made with due consideration of legislation.

Basis of consolidation
Enterprises in which the Group has a significant influence, but not control over the financial and operating policies are classified as associates.

Enterprises in which the Group has joint controlling influence with one or more business partners are classified as joint ventures.

Joint ventures are recognised using the equity method.

The Consolidated Financial Statements are prepared on the basis of the financial statements of the Parent Company and its subsidiaries, by combining items of a uniform nature and eliminating inter-company transactions and balances and are based on financial statements prepared in compliance with the Group's accounting policies.

Acquisitions, disposals and entities formed during the year are included in the Consolidated Financial Statements during the period of the Group's control or significant influence. Comparative figures are not adjusted for acquisitions.

NOTE 1.3 GENERAL ACCOUNTING POLICIES CONTINUED

Translation of foreign currencies
Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Foreign currency transactions are translated into the functional currency at the exchange rate of the date when initially recognised. Gains and losses arising between the exchange rate of the transaction date and that of the settlement date are recognised in the income statement under financial items.

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 then prevailing. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in the income statement under financial items.

The results and financial position of any Group entity that has a functional currency different from Lauritzen Bulkers presentation currency are translated into the presentation currency as follows:

- Assets and liabilities, including goodwill and fair value adjustments arising on consolidation are translated at the closing rates at the date of the balance sheet.

- Income and expenses for each income statement are translated at exchange rates approximating the exchange rate of the date of transaction date, and all resulting exchange differences are recognised as a separate component of equity.

- Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates, joint ventures and of borrowings or other currency instruments relating to hedging such investments are recognised in other comprehensive income in the translation reserve of equity. Exchange differences are released to the income statement upon disposal of the net investment.

Cash flow statement
The cash flow statement has been prepared according to the indirect method and shows the cash flows from operating, investing and financing activities for the year.

Cash and cash equivalents include bank deposits and short-term deposits that without restriction can be exchanged into cash funds.

NOTE 1.4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements includes management estimates and judgments that affect the recognition and carrying amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported performance. Estimates and judgments are based on historical data and other assumptions and sources that are considered reasonable. Actual results could differ from those estimates and judgments.

The following items have been identified as significant accounting estimates and judgments used in the preparation of its consolidated financial statements, they are presented in the related notes:

Critical accounting estimates:
- Estimated useful life and residual value of vessels - note 3.1
- Assumptions used in calculating right of use assets and lease liabilities - note 3.2
- Impairment test of non-current assets and right-of-use assets – note 3.3

Critical accounting judgments:
- Special items - note 2.2
- Joint ventures - note 3.4
- Tax - note 5.1

Methods for determination of fair value
A number of assets and liabilities are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods for determination of fair value for measurement and/or disclosure purposes are described in the relevant notes.

NOTE 1.5 NEW ACCOUNTING REGULATIONS FOR FUTURE IMPLEMENTATION

The following new standards, amendments, and interpretations of relevance to the Group have been adopted by the IASB and adopted by the EU. The standards are not yet effective and will therefore not be implemented in the Annual Reports until they take effect:

- IFRS 16, Leases: The amendment clarifies that modifications regarding lease payments because of COVID-19 should not be treated as modifications for accounting purposes even though they meet the definition of a modification of a lease according to the standard.

The amendment will be effective beginning on or after 1 April 2021.

- IFRS 3, Business Combinations; IAS 16, Property, Plant and Equipment; IAS 37, Provisions, Contingent Liabilities and Contingent Assets; Annual improvement 2018-2020 on IFRS 1, IFRS 9, IAS 41 and IFRS 16: Amendments to IFRS 3 updates examples and references to the framework. Amendments to IAS 37 clarify which costs to include when assessing whether a contract is lossmaking. Amendments to IAS 16 prohibits deducting amounts received from selling items produced while the company is preparing the asset for its intended use in the costs of the property, plant and equipment. Annual project 2018-2020 make minor amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16.

The amendments will be effective beginning on or after 1 January 2022.

None of these amendments or interpretations have had any effect on the accounting policies applied by the Group.

The IASB has issued the following new standards, amendments and new interpretations which could be relevant to the Group, but which have not yet been adopted by the EU:

- IAS 1, Presentation of Financial Statements: Clarifications of the definition of current liabilities to be based on the rights existing on the balance sheet date. The requirement for an unconditional right to postpone payment for 12 months from the balance sheet date is therefore changed to a right to defer payment for 12 months from the balance sheet date.

The amendment will be effective for financial years beginning on or after 1 January 2023.

New and amended financial reporting standards are assessed to be insignificant to the Group.

NOTE 1.6 KEY FIGURES, FINANCIAL RATIOS, AND NON-IFRS MEASURES

The Income statement includes financial measures which are not defined by IFRS. These measures are included because they are used to analyse and manage the business and to provide management and stakeholders with useful information on the Group's Income statement.

Time-charter equivalent income is defined as revenue less voyage related costs.

EBITDA before special items is defined as Operating income before depreciation and special items.

Profit margin is calculated as operating income before special items excl. share of profit in joint ventures divided by revenue.

Solvency ratio is calculated as total equity at year end divided by total assets at year end.

Return on equity is calculated as Lauritzen Bulkers share of profit/(loss) divided by Lauritzen Bulkers average share of equity.

Invested capital is total assets less cash, securities, non-operational assets and non-interest-bearing current liabilities.

Return on invested capital is calculated as operating income after special items divided by average invested capital.

Net interest-bearing debt (NIBD) is interest-bearing liabilities, less subordinated loan, interest-bearing assets and cash.

NIBD/EBITDA is calculated as NIBD divided by operating income before depreciations and special items.

Section 2
Operating activities

NOTE 2.1 REVENUE

The revenue reported represents revenue from customers.

USD '000	2021	2020
Freight revenue	651,287	305,815
COA revenue	14,684	12,024
Time charter revenue	170,617	70,308
Total	**836,588**	**388,148**

ACCOUNTING POLICIES

Revenue
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, 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.

The transaction price is agreed with the customer for all types of contracts. The voyage result (revenue and voyage related costs) is recognised during the voyage based on the estimated duration of the voyage. Revenue is recognized using load to discharge method and revenue is recognized during the time the cargo is transported.

Demurrage is recognised if the claim is considered probable.

In addition, revenue comprises changes in fair value on forward freight agreements (FFA) used to hedge future freight income. Hedge accounting is not applied for these transactions.

Voyages in progress
Revenue is recognized as a percentage of the estimated revenue for the voyage based on the percentage of completion of the estimated duration of the voyage. There is a higher uncertainty for revenue recognized from voyages in progress compared to completed voyages, as conditions can change for the estimated uncompleted part of the voyage.

Voyage related costs
Voyage related costs include bunker oil, port costs, agent's commissions and other voyage related costs. Furthermore, voyage related costs include fair value changes on financial bunkers contracts used to hedge future bunkers purchases. Hedge accounting is not applied for these transactions.

Time-charter equivalent income
The time-charter equivalent income is an industry specific key ratio, consisting of revenue less voyage-related costs.

Other operating income
Other operating income includes administration services, commercial and technical management fee.

Operating cost of vessels
Operating cost of vessels includes maintenance and repairs, crew staff costs, 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.

Deferred income
Deferred income arises from prepayments for voyages and time-charter income.

NOTE 2.2 SPECIAL ITEMS

To increase the comparability of the operating activities, a number of one-off items have been recognised as special items:

USD '000	2021	2020
Impairment losses/reversals on right-of-use assets, cf. note 3.3	15,546	-
Special items, net	**15,546**	**-**

If special items had been included in the operating profit before special items, they would have been included in the Income Statement as follows:

If special items had been included in the operating profit before special items, they would have been included in the Income Statement as follows:

Income statement - condensed

Other operating income	404	64
Costs	(723,835)	(360,355)
Operating income before depreciation (EBITDA)	**113,157**	**27,857**
Profit/(loss) on sale of assets	6,662	(502)
Depreciation and impairment losses	(12,268)	(36,308)
Share of profit in joint ventures	4,088	(263)
Operating income	**111,639**	**(9,216)**
Net financial items	(5,991)	(8,650)
Profit/(loss) before tax	**105,648**	**(17,865)**
Income tax	(2,950)	(290)
Profit/(loss)	**102,698**	**(18,156)**

ACCOUNTING POLICIES

"Special items" include significant one-off income and expenses, such as revenue from sale of claims and claim settlements and compensation from termination of contracts, sale of assets as a consequence of counterparty default or strategic initiatives, impairment losses on vessels and on investments in joint ventures as well as provisions for onerous contracts and the use and reversals hereof. These items are presented separately in the income statement to increase the transparency and comparability of the operating activities.

CRITICAL ACCOUNTING JUDGEMENTS

The use of special items entails management judgment in the separation from other items in the income statement. Management carefully considers such changes in order to ensure the correct distinction between the operating activities and one-off items.

NOTE 2.3 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees [1)]		Staff costs, crew on vessels [2)]		Total staff costs	
USD '000	**2021**	2020	**2021**	2020	**2021**	2020
Salaries	15,714	9,303	1,590	1,465	17,305	10,768
Pensions (defined contribution plan)	752	776	-	-	752	776
Social security	414	332	-	-	414	332
Contract labour	2	9	-	-	2	9
Total	**16,882**	**10,420**	**1,590**	**1,465**	**18,472**	**11,886**

1) Included in "Administrative costs"
2) Included in "Operating costs of vessels"

	Number of employees, onshore		Number of employees, crew on vessels		Number of employees, total	
	2021	2020	**2021**	2020	**2021**	2020
Average number of employees	70	63	40	52	110	115
Number of employees at year end	73	65	40	52	113	117

	Key management		Board of Directors		Total	
USD '000	**2021**	2020	**2021**	2020	**2021**	2020
Salaries	496	398	225	101	721	499
Pensions (defined contribution plan)	90	73	-	-	90	73
Social security	13	15	-	-	13	15
Total	**599**	486	**225**	101	**824**	587

NOTE 2.4 EXPENSES BY NATURE

USD '000	**2021**	2020
Operating costs of vessels	(37,291)	(42,873)
Administrative costs	(22,960)	(16,398)
Total	**(60,251)**	**(59,271)**

Costs spilt by nature:

Crew on vessels, cf. note 2.3	(1,590)	(1,465)
Operational cost owned vessels excluding crew wages	(2,152)	(1,717)
Service component of right-of-use assets	(33,550)	(39,691)
Shore based staff, cf. note 2.3	(16,882)	(10,420)
Other external costs	(6,078)	(5,978)
Total	**(60,251)**	**(59,271)**

Section 3
Operating assets and liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000 **2021**	Vessels	Land and buildings	Machinery, tools and equipment	Total
Cost as at 1 January	109,168	1,041	10,159	120,368
Additions	15,647	-	17	15,664
Disposals	(54,882)	-	(14)	(54,896)
Cost as at 31 December	69,934	1,041	10,162	81,137
Depreciation and impairment losses as at 1 January	(81,873)	(1,041)	(8,730)	(91,644)
Depreciation	(1,455)	-	(11)	(1,467)
Disposals	41,746	-	12	41,758
Depreciation and impairment losses as at 31 December	(41,583)	(1,041)	(8,730)	(51,353)
Balance as at 31 December	**28,351**	**-**	**1,432**	**29,784**

USD '000 2020	Vessels	Land and buildings	Machinery, tools and equipment	Total
Cost as at 1 January	109,168	331	10,153	119,653
Exchange rate adjustments	-	(21)	(1)	(22)
Disposals	-	731	6	(725)
Cost as at 31 December	109,168	1,041	10,159	118,906
Depreciation and impairment losses as at 1 January	(80,360)	(331)	(8,717)	(89,407)
Exchange rate adjustments	-	21	1	22
Depreciation	(1,514)	-	(14)	(1,527)
Disposals	-	(731)	-	731
Depreciation and impairment losses as at 31 December	(81,873)	(1,041)	(8,730)	(90,182)
Balance as at 31 December	**27,295**	**-**	**1,428**	**28,724**

Capital commitments

The Group has entered into agreements for future delivery of vessels. The remaining contract amount is payable as follows:

USD '000	**2021**	2020
Within 1 year	13,000	-
Total	**13,000**	**-**

ACCOUNTING POLICIES

Vessels

Vessels are measured at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use. Borrowing costs concerning either specific or general borrowing directly related to assets with an extended construction period are included in cost over the period of construction.

Vessels are depreciated on a straight-line basis to an estimated scrap value. The expected useful life of vessels is 25 years.

Rebuilding of vessels is capitalised if the rebuilding is intended to extend the service life and/or improve the earning potential. Rebuilding is depreciated over the expected service life of the investment.

Costs relating to dry dockings are capitalised and depreciated on a straight-line basis. The expected useful life of dry dockings ranges from 30 to 60 months.

Vessels under construction are measured at cost incurred until the time the vessel is taken into service less accumulated impairment losses.

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT. ACCOUNTING POLICIES CONTINUED

Land
Land is measured at cost. Land is not depreciated.

Buildings
Buildings are measured at cost less accumulated depreciation and accumulated impairment losses. Buildings are depreciated on a straight-line basis. Expected useful life of buildings is 50 years.

Machinery, tools and equipment
Machinery, tools and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Machinery, tools and equipment are depreciated on a straight-line basis. Expected useful life of machinery, tools and equipment is 5-10 years.

Impairment
Reference is made to note 3.3.

Profit/loss on sale on sale of vessels and other assets
Profit/loss from sale of vessels etc. is stated as the difference between the sales price less selling costs and thecarrying amount of the vessel etc. in question at the time of delivery.

CRITICAL ACCOUNTING ESTIMATES

Estimated useful life and residual value of vessels
The estimated useful life and residual value of vessels are assessed annually and adjusted if appropriate. The residual value is based on estimates on steel value less costs to scrap. Estimated useful life of vessels is 25 years and the useful life of dry dockings range from 30 to 60 months.

There has been no changes in estimated useful life or residual value in 2021 or 2020.

NOTE 3.2 LEASES (IFRS 16)

Right-of-use assets (leased assets)

USD '000 **2021**	Vessels	Land and buildings	Total
Balance as at 1 January	67,768	697	68,465
Additions	6,043	-	6,043
Depreciation during the year	(25,844)	(503)	(26,348)
Reversal of impairment losses	15,546	-	15,546
Disposals	(8,536)	-	(8,536)
Balance as at 31 December	**54,977**	**194**	**55,170**

USD '000 **2020**	Vessels	Land and buildings	Total
Balance as at 1 January	98,988	327	99,315
Additions	2,852	1,077	3,930
Depreciation during the year	(34,073)	(708)	(34,781)
Balance as at 31 December	**67,768**	**697**	**68,465**

NOTE 3.2 LEASES (IFRS 16) CONTINUED

Lease obligations

USD '000	2021	2020
Maturity of lease obligations:		
<1 year	33,411	41,879
1-5 years	33,313	77,988
> 5 years	-	1,944
Total un-discounted lease obligation in Balance sheet statement 31 December	66,724	121,811
Lease obligation in Balance sheet statement	**61,465**	**97,924**
Short-term obligation	34,948	31,394
Long-term obligation	26,517	66,530
Obligation on service element of lease contracts not recognised	51,330	92,190

Lease amounts recognised in the Income statement

USD '000	2021	2020
Costs related to short-term leases (less than 12 months)	(424,049)	(132,454)
Service element not recognised as part of the lease obligation (opex)	(33,550)	(39,691)
Depreciations related to right-of-use assets	(10,801)	(34,781)
Interest expenses related to lease obligations	(5,190)	(8,380)

In 2021 the Group has paid USDm (72.5) related lease contracts recognised at the balance sheet, hereof interest of USDm (5.2) and repayment of lease obligations of USDm (33.7), while the service element not included in the recognised lease contracts amounts to USDm (33.6).

Subleases

Below is the maturity analysis for sublease receivables based on contractual undiscounted payments:

USD '000	2021	2020
<1 year	42,842	8,435
1-5 years	13,119	-
Total	**55,960**	**8,435**

ACCOUNTING POLICIES

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 office 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.

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.

CRITICAL ACCOUNTING ESTIMATES

Recognition of the right of use assets implies assumptions and estimates about the lease, related to lease term, service element and discount rate.

Lauritzen Bulkers includes the minimum lease period according to the contract, options to extend the lease term is only included if it is highly probable that the option will be exercised.

When calculating the right of use asset, the lease is reduced by a service element corresponding to estimated average vessel operating cost of a like to like asset.

The lease contracts do not include interest rates, therefore the right of use asset and corresponding lease obligation is discounted by assessing Lauritzen Bulkers alternative borrowing rate. The discount rate is estimated based on a weighted average of secured and unsecured borrowing rates including margins and assessments on the capital structure.

NOTE 3.2 LEASES (IFRS 16) CONTINUED

ACCOUNTING POLICIES

Subleases
Arrangements to sublease an underlying asset to a third party, while the Group retains the primary obligation under the original lease. In such arrangements, the Group acts as both the lessee and lessor of the same underlying asset.

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

During the term of the sublease, both finance income on the sublease is recognised as revenue and interest expense on the head lease is recognised as financial expenses.

NOTE 3.3 IMPAIRMENT OF ASSETS

Impairment test 2021
A test has been performed at year-end 2021 to assess if there is an indication of impairment or need to reverse previously recognised impairments. It was concluded, firstly, that there is no indication of need to recognise new impairment losses, and, secondly, basis rates expected for the next two years and historical average rates for subsequent years, that value-in-use of vessels (right of use assets) has increased to an extent supporting a reversal of previously recognised impairment losses of USDm 15.6 on right-of-use assets. The book value of vessels is supported by the value in use of the vessels.

ACCOUNTING POLICIES

Impairment
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.

CRITICAL ACCOUNTING ESTIMATES

Impairment test of non-current assets and right of use assets
The impairment test is carried out at the lowest level for which there are separately identifiable cash inflows (cash generating units, CGU).

The CGUs applied in the impairment test for 2021 are identical to those applied for 2020:

Lauritzen Bulkers	Bulk carriers (Owned and right of use assets)

Fair value less costs of disposal is estimated by use of at least two independent broker valuations (considered level 3 in fair value hierarchy), and value in use is calculated as present value of future cash flows to be derived from the vessels and other non-current assets during their useful life.

The key assumptions used in the impairment test include estimated future earnings (including charter income, COAs and estimated risk adjusted spot rates for open ship days), operating costs, counterparty risk, the composition of CGUs and the rate used to discount future cash flows. The estimated future earnings are based on internal forecasts in which input presented by ship broking research units and consultants are taken into consideration.

For 2021, we use a nominal risk adjusted weighted average cost of capital of 9.94% equal to 7.0% in real terms after tax to discount deflated future cash flows. In 2020, we used a nominal risk adjusted weighted average cost of capital of 9.2% equal to 7.0% in real terms after tax to discount deflated future cash flows for Bulk Carriers CGU’s. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

NOTE 3.4 INVESTMENTS IN JOINT VENTURES

USD '000	2021	2020
Cost as at 1 January	5,245	5,245
Cost as at 31 December	5,245	5,245
Revaluation as at 1 January	(6,774)	(6,511)
Profit for the year	(1,033)	(263)
Revaluations during the year	5,122	-
Revaluation as at 31 December	(2,686)	(6,774)
Balance as at 31 December	2,559	(1,529)
Negative equity settled against receivable from joint ventures	2,333	6,612
Balance as at 31 December	**4,892**	**5,083**

Key figures for joint ventures (100%):

USD '000	2021	2020
Revenue	7,627	7,606
Net profit	(2,066)	(588)
Assets	22,685	27,597
Liabilities	17,660	20,286
Group's share of net profit	(1,033)	(235)
Internal profit/loss	5,122	(28)
Net profit in joint ventures	4,088	(263)
Group's share of equity	2,512	5,160
Internal profit/loss	47	(6,689)
Total	2,559	(1,529)

No significant restrictions apply to distributions from the joint venture.

For a list of Investments in joint ventures, please page 51

ACCOUNTING POLICIES

Share of profit in associated companies and joint ventures
The proportionate share of the net profit after tax in associated companies and joint ventures, after the elimination of proportional share of internal profit/loss is recognised in the income statement.

Investments in joint ventures
Investments in joint ventures are recognised according to the equity method of accounting.

Any goodwill resulting from the acquisition is included in the carrying value of the investment. The investments in joint ventures are tested annually for impairment.

Joint ventures with negative equity are measured at USD 0 (nil), unless the Group has a legal or constructive obligation to cover the negative balance of the associate.

CRITICAL ACCOUNTING JUDGEMENTS

The assessment of the level of control in an investment and thereby the classification of an investment as subsidiaries, associates or joint ventures is based on managerial judgment.

NOTE 3.5 WORKING CAPITAL

USD '000	**2021**	2020
Bunkers	6,018	4,934
Trade receivables	17,109	-
Other receivables	3,075	1,020
Prepayments	9,544	6,582
Total working capital assets	35,746	12,536
Trade payables	16,165	6,764
Other payables	8,678	1,991
Deferred income	5,271	0
Total working capital liabilities	30,114	8,756
Net working capital	**5,632**	**3,780**

Section 4
Capital structure and financing

NOTE 4.1 LONG-TERM BORROWINGS

USD '000	<1 year	1 - 2 year	2 - 3 year	2021 3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *	(1,736)	(12,922)	-	-	-	-	(14,658)
Lease liabilities	(34,948)	(18,130)	(8,338)	(49)	-	-	(61,465)
Total long-term borrowings	**(36,684)**	**(31,052)**	**(8,338)**	**(49)**	**-**	**-**	**(76,123)**

USD '000	<1 year	1 - 2 year	2 - 3 year	2020 3 - 4 year	4 - 5 year	> 5 year	Total
Mortgages on vessels *	(1,522)	(1,522)	(11,808)	-	-	-	(14,852)
Lease liabilities	(31,394)	(27,616)	(24,913)	(10,137)	(1,984)	(1,881)	(97,924)
Total long-term borrowings	**(32,915)**	**(29,138)**	**(36,721)**	**(10,137)**	**(1,984)**	**(1,881)**	**(112,776)**

* The bank facilities include covenants customary to ship finance, including:
- Security maintenance: Ratio between security and outstanding debt in the particular facility minimum 135%.
- Financial covenants: Value-adjusted consolidated solvency ratio of minimum 30%, consolidated liquidity of USD 2m,and consolidated working capital ratio to be higher than one. Calculation of ratios to exclude IFRS 16.

We complied with all covenants at year end 2021, and at year end 2020.

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
2021						
Bank debt:						
Mortgages on vessels	USD	Variable	3-6 months	2.80%	2.77%	(14,658)
Other financing:						
Lease liabilities	USD	Fixed	0-80 months	7.30%	N/A	(61,465)
Total						**(76,123)**
2020						
Mortgages on vessels	USD	Variable	3-6 months	2.90%	2.91%	(14,852)
Other financing:						
Lease liabilities	USD	Fixed	0-60 months	7.30%	N/A	(97,924)
Total						**(112,776)**

NOTE 4.1 LONG-TERM BORROWINGS CONTINUED

Interest exposure on long-term borrowings to floating interest rates:

USD '000	2021	2020
Total long-term borrowings (including current portion)	(14,658)	(14,852)
Hereof amortised transaction costs	97	141
Floating interest borrowings	(14,755)	(14,992)
Interest rate swaps floating to fixed, nominal	6,707	7,496
Exposure to floating interest rates at year end	**(8,048)**	**(7,496)**

Changes in liabilities arising from financing activities

USD '000 **2021**	Mortage on vessels	Leases of vessels	Total liabilities from financing activities
Book value 1 of January	(14,856)	(97,924)	(112,780)
Lease additions during the year	-	(6,053)	(6,053)
Repayment (Cash flow)	9,237	33,692	42,928
Proceeds (Cash flow)	(9,000)	-	(9,000)
Early redelivery of right of use assets	-	8,824	8,824
Capitalisation of loan cost	64	-	64
Amortised transaction costs	(108)	-	(108)
Balance as at 31 December	**(14,662)**	**(61,461)**	**(76,123)**

USD '000 2020	Mortage on vessels	Leases of vessels	Total liabilities from financing activities
Book value 1 of January	(13,544)	(134,128)	(147,672)
Lease additions during the year	-	(3,930)	(3,930)
Repayment (Cash flow)	(486)	40,134	39,648
Foreign exchange movement	(128)	-	(128)
Capitalisation of loan cost	162	-	162
Amortised formation costs	(860)	-	(860)
Balance as at 31 December	**(14,856)**	**(97,924)**	**(112,780)**

ACCOUNTING POLICIES

Mortgage debt and other interest-bearing debt are initially recognised at fair value less any transaction costs incurred. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate method, such that the difference between the proceeds and the redemption value is recognised in the income statement over the lifetime of the loan.

Lease obligations are initially recognised as the net present value of future lease payments discounted by an alternative incremental borrowing rate, and reduced by a service element, corresponding to OPEX on leased vessels. The lease obligation is remeasured if there are changes in the lease term.

NOTE 4.2 MORTGAGES

USD '000	**2021**	2020
Debt for a total of	14,658	14,852
is secured by mortgages on assets at the following book values:		
Vessels	28,188	27,295

NOTE 4.3 FINANCIAL INCOME

USD '000	**2021**	2020
Interest income, bank deposits	53	415
Other financial income	63	100
Currency exchange gains and losses, net	-	660
Interest income, affiliated enterprises	944	-
Financial instruments at FV through P&L, net	-	25
Financial income	**1,060**	**1,199**

NOTE 4.4 FINANCIAL EXPENSES

USD '000	**2021**	2020
Interest expenses on loans	(594)	(1,292)
Interest expenses on leases	(5,190)	(8,380)
Other financial expenses	(171)	(176)
Currency exchange gains and losses, net	(974)	-
Financial instruments at FV through P&L, net	(124)	-
Financial expenses	**(7,052)**	**(9,848)**

ACCOUNTING POLICIES

Financial items include interest income and expenses, interest on leased assets, realised and unrealised exchange gains and losses, adjustments to the value of securities and certain financial instruments and other financial income and expenses.

Borrowing costs directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the asset.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISK

The Group is exposed to a variety of risks from its operations in shipping markets. The board of directors reviews and agrees on policies for managing of risks. For further information, see section Risk Management on pages 16 and 17.

Through its operations, investments and financing, the Group is exposed to certain financial risk; this financial risk relates to and is defined as follows:

Liquidity risk	The risk that the Group is not able to meet its future cash flow needs.
Market risk	The risk of losses in financial positions arising from movements in market prices to which Lauritzen Bulkers is exposed.
Credit risk	The risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations.

Financial risks are regularly assessed and prioritised based on how likely they are to occur and their potential impact. As defined by the board of directors, overall policies and objectives for financial risks were generally unchanged from 2020.

Liquidity risk
Liquidity is managed at Group level and monitored on a day-to-day basis to ensure that sufficient funds are available to cover daily flows.

Liquidity forecasts are produced and updated regularly based on forecasts on operational cash flows, net financing cash flow, CAPEX and investment commitments. Sensitivity analysis and stress tests are performed regularly.

At year-end 2021, cash and cash equivalents amounted to USDm 71.

The Group's loan portfolio consists of traditional mortgage-backed ship finance.

The Group's loan agreements include a minimum value clause (MVC) where cash security has to be pledged if outstanding loan to market value reaches a certain limit. At year-end 2021, the Group had pledged USDm nil related to MVC in loan agreements (2020: USDm nil). There were no breaches of credit facilities at year end in 2021 and 2020. Should vessel values decrease by 10% during 2022 compared to the December 2021-valuations, nil would be required by year-end 2022 as additional security.

Below is a maturity analysis of the financial liabilities at year-end 2021. A maturity analysis of lease obligations is also included in note 3.2.

Contractual cash flow

USD '000

2021	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Long term receivables from group entities	24,682	26,640	960	25,680				
Receivables from joint ventures*	966	966	-	966	-	-	-	-
Trade and other receivables	35,746	35,746	35,746	-	-	-	-	-
Derivative financial instruments	11,379	11,379	8,578	2,717	83			
Cash and cash equivalents	70,852	70,852	70,852					
Interest-bearing debt **	(76,123)	(82,212)	(35,636)	(37,879)	(8,646)	(50)	-	-
Trade and other payables	(24,850)	(24,850)	(24,850)	-	-	-	-	-
Derivatives, liabilities at fair value	(227)	(227)	(227)	0	-	-	-	-
Total at 31 December 2021	**42,423**	**38,294**	**55,422**	**(8,515)**	**(8,563)**	**(50)**	**-**	**-**
2020								
Interest bearing debt **	(112,776)	(125,952)	(37,179)	(34,989)	(38,853)	(10,789)	(2,193)	(1,950)
Trade payable and other payables	(8,758)	(8,758)	(8,758)	-	-	-	-	-
Derivatives, liabilities at fair value	(1,540)	(1,541)	(1,540)	(0)	(0)	-	-	-
Total at 31 December 2020	**(123,074)**	**(136,251)**	**(47,477)**	**(34,989)**	**(38,853)**	**(10,789)**	**(2,193)**	**(1,950)**

* Receivables from joint ventures is based a zero interest loan
* Receivables from joint ventures is based a zero interest loan
* Contractual cash flow includes undiscounted interest payments based on interest levels at year-end.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Capital management risks
The Group's capital consists of the contributed capital of the parent company and the subsidiaries. The majority of the Group's equity is, however, established by retained earnings. The solvency ratio (equity ratio) was 56% at the end of 2021 (17% at year-end 2020). The solvency ratio is monitored relative to the Group's future payment obligations in the form of lease liabilities, and payments for committed vessel acquisitions not recognised in the statement of financial position, if any.

Market risks
Market risk is the risk of losses on financial positions arising from movements in market prices to which the Group is exposed through financial instruments. Market risk is regularly assessed and prioritised based on how likely they are to occur and their potential impact. Based on this assessment, the following market risk factors are considered significant for the Group:

Currency risk - Operational cash flow
Currency risk from operations is related non-USD costs where DKK expenses are the largest contributor.
Currency risk - Investments
Relates to the risk of contractual commitments in non-USD. At year-end 2021, the Group had no non-USD commitments on newbuildings.
Currency risk - Financing
Relates to long-term borrowing in non-USD. Group had no long-term borrowings denominated in non-USD.
Currency risk - Long-term borrowings
The long-term floating rate borrowings are fixed to a large extent (50%) using interest rate swaps.

To a minor extent the Group is exposed to other market risk factors that are considered less significant. These include risk on financial instruments related to share prices, oil prices and freight rates (FFA). We use derivatives to hedge oil and freight rates when applicable. The fair value of these instruments is disclosed in the table "Derivative financial instruments".

Below is a description of how we manage the significant market risk factors and perform sensitivity analysis of the exposure.

Sensitivity information is calculated at balance sheet date and comprises only sensitivity relating to financial instruments, so the amounts disclosed do not necessarily give a complete picture of the Group's risk relating to changes in currency rates and interest rates.

Currency risk
The operating and reporting currency is USD and thus all amounts are recorded and reported in USD. Matching income and expenses and assets and liabilities minimises the net currency risk, leaving net positions to be focused on.

Our policy is to use derivative instruments to hedge the currency risks relating to net non-USD cash flows from operating activities, investments and financing. The general hedging policy is approved by the board of directors.

The hedging strategy for operating costs is based on estimated annual net non-USD cash flows, i.e. 12 months rolling cash flow. Hedge accounting is not applied to forward contracts relating to future costs in non-USD currencies.

Please refer to note 4.1 for further disclosure of the currency exposure of long-term borrowings and hedging hereof.

Sensitivity of currency risk
To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on the balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/(loss) of USDm (1.9) (2020: USDm (0.6)) and affect equity by USDm (1.9) (2020: USDm (0.6)). The effect of a 10% increase in the currency translation rates against USD would have a corresponding inverse effect.

Interest rate risk
Our policy is to hedge risk associated with changes in interest rates to limit the negative financial effects of adverse changes in interest rates by converting variable interest rates to fixed interest rates. Net interest rate risk may be hedged via forward rate agreements, interest rate swaps and related instruments if assessed as advantageous. The general hedging policy is approved by the board of directors.

Cash flow hedge accounting is used in respect of interest rate derivatives. These are recycled in the income statement over the term of the hedged loans. Please refer to note 4.1 for disclosure of the exposure to floating interest rates at balance sheet date.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Sensitivity of interest rate risk
Sensitivity of interest fluctuations is calculated as the hypothetic effect on net profit and equity as a result of fluctuations in interest rates at balance sheet date.

The sensitivity analysis includes financial instruments recognised at fair value for which the calculated effect on equity represents an immediate fair value change from a thought change in interest rates and financial instruments with variable interest recognised at amortised costs for which the calculated effect represents a one year effect on net profit and equity based on balances at year end.

Assumptions for the sensitivity analysis:

- All hedging instruments are assumed 100% effective.
- Changes in interest rates are global and thus the impact on the fair value of forward currency contracts and similar derivatives is not considered.
- Shares available for sale and shares at fair value through profit or loss are not included in sensitivity calculations due to inability to reliably measure the sensitivity of share prices to interest rate changes.

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 0.1 (2020: USDm 0.1)) and equity by USDm 0.1 (2020: USDm 0.2). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm 0.6 (2020: USDm (0.1)).

A 1% interest rate decrease would as a maximum have a corresponding inverse effect.

Credit risk
Credit risk is the risk of incurring a financial loss if a customer or counterparty fails to fulfill their contractual obligations.

Our placement of deposits entails a potential credit risk and we only place deposits with banks that are either categorised as Structurally Important Financial Institutions (SIFI) or meet a minimum rating requirement.

Likewise, contracts for long-term business entail a potential counterparty credit risk. To mitigate the counterparty risk related to business contracts, we perform a thorough credit assessment prior to concluding long-term contracts. Large contracts are approved by the board of directors.

Standard payment terms for the is that 95% of the transaction price (estimated revenue) for the voyages is due 3 days after loading the cargo, while the remaining revenue is due after discharge, therefore the majority of the revenue is paid before releasing the cargo to the customer. Due to payment terms for the business, historic losses on trade receivables are immaterial, and therefore the Group do not recognise expected losses on trade receivables.

In 2021 and 2020 no provisions were made for losses on trade receivables. The Group did not have any further overdue trade receivables (2020: USD nil).

At year-end 2021, the majority of our financial counterparties had credit ratings of or above Baa2.

The exposure to credit risk at balance sheet date can be illustrated as follows:

Credit risk

USD '000	2021	2020
Long term receivables from group entities	24,682	20,018
Other long-term receivables	966	3,033
Trade receivables	17,109	-
Financial derivatives	11,379	1,087
Other short-term receivables	3,075	1,020
Cash and bank deposits	70,852	7,986
Maximum credit risk	**128,062**	**33,144**

The maximum credit risk corresponds to the carrying value of the individual assets.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Our policy is to use derivative financial instruments to hedge financial risk. At year-end, the Group held the following derivatives:

Hedging derivatives

USDm	Cash flow / Fair value hedge	2021 Nominal, USDm	2021 Duration, month	2021 Recognised on equity	2021 Fair value	2020 Nominal, USDm	2020 Duration, month	2020 Recognised on equity	2020 Fair value
Hedge accounting applied:									
Interest rate swaps	Cash flow	6.7	18	0.0	0.0	7.5	30	(0.0)	(0.0)
Total				**0.0**	**0.0**			**(0.0)**	**(0.0)**
Hedge accounting not applied:									
Currency: USD/EUR	N/A	6.0	0-11	-	0.3	2.3	0-12	-	0.1
Currency: USD/DKK	N/A	13.2	3-13	-	(0.2)	5.4	0-11	-	0.2
FFAs and oil contracts	N/A	N/A	0-36	-	11.0	N/A	1-24	-	(0.7)
Total				**-**	**11.1**			**-**	**(0.4)**
Total derivative financial instruments					**11.2**				**(0.4)**
Presented in the financial statement as:									
Derivative financial instruments, assets					11.4				1.1
Derivative financial instruments, liabilities					(0.2)				(1.5)

ACCOUNTING POLICIES

Derivatives are recognised at fair value (level 2). Positive and negative fair values of derivatives are presented in the statement of financial position in separate line items, and offsetting is made only when the Group has the right and intention to settle several derivatives net.

Fair value hedge
Changes in the fair value of derivatives designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability. Hedging of future cash flows relating to firm commitments are treated as fair value hedges.

Cash flow hedge
Where a derivative financial instrument is designated as a hedge of a highly probable forecasted transaction, the effective part of any gain or loss on it is recognised in other comprehensive income in the hedging reserve of equity. When the forecasted transaction is subsequently realised, the associated cumulative gain or loss is reclassified from other comprehensive income in the hedging reserve of equity to the income statement in the same period or periods during which the hedged forecasted transaction affects profit or loss. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income in the hedging reserve of equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is immediately recognised in the income statement.

NOTE 4.5 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Net investment hedge
Derivatives used to hedge net investments in foreign subsidiaries, associates or joint ventures are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain and loss relating to the ineffective portion is immediately recognised in the income statement.

Derivatives that do not qualify for hedge accounting
For derivatives that do not qualify for hedge accounting, changes in fair value are recognised in the income statement as they occur.

Methods for determination of fair value - derivatives
The fair values of derivative instruments are based on their listed market price, if available, or estimated using appropriate market rates prevailing at the balance sheet date.

Categories of financial assets

USD '000	2021	2020
Fin. assets at FV through P/L *	11,379	1,087
Loans and receivables**	92,001	12,039
Long term receivables from group entities**	24,682	20,018
Fin. liabilities - at FV through P/L *	(227)	(1,540)
Fin. liabilities - at amortised cost**	(100,973)	(121,533)

* Figure includes financial derivatives designated for hedge accounting
** Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value.

Financial assets
Investments are classified in the following categories:

- Financial assets at fair value through profit or loss (financial derivatives)
- Loans and receivables

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date to the extent that such a designation is permitted and required. Financial assets classified at fair value through profit or loss is investments that are measured and reported at fair value in the internal management reporting.

Financial assets at fair value through profit or loss
Comprise financial derivatives on which hedge accounting is not applied and securities which is classified as such on initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in Trade receivables and Other receivables in the statement of financial position.
Trade receivables is determined using the lifetime expected credit loss which include factors such as internal rating, historical information about payment patterns, collateral received as well as prevailing economic conditions. Estimates made are updated if the debtor's ability to pay changes.

Recognition and measurement of financial assets
Purchases and sales of investments are recognised on the settlement date. Investments are initially recognised at fair value plus transaction costs for all financial assets not classified as fair value through profit or loss.

NOTE 4.6 EQUITY

Proposed dividend is recognised as a liability when approved at the Annual General Meeting.

	No. of shares		Nominal DKK'000	
	2021	2020	**2021**	2020
1 January	8	37	400	460,100
Capital reduction	-	(29)	-	(459,700)
Other	-	-	-	-
31 December	**8**	**8**	**400**	**400**

Dividends proposed paid for 2021 amount to USD 54 million equal to DKKm 44.288 per share. The proposed dividend for 2021 will be considered on the annual general meeting in 2022. In 2020 no proposed dividends were included.

ACCOUNTING POLICIES

Proposed dividend is recognised as a liability when approved at the Annual General Meeting.

Section 5
Other notes

NOTE 5.1 TAX

USD '000	2021	2020
Tax in the Income Statement consists of:		
Adjustment of current tax for previous years	(2,600)	-
Current tax	(350)	(290)
Total	**(2,950)**	**(290)**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	(23,243)	3,930
Adjustment in foreign companies deviating from 22% tax	-	(37)
Tax effect of:		
Tonnage tax	23,243	(4,183)
Adjustments previous year	(2,600)	-
	(2,950)	**(290)**
Effective tax rate	**3%**	**2%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,200	2,200
Deferred tax 31 December	**2,200**	**2,200**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,200	2,200
	2,200	2,200
Unrecognised share of taxable losses carried forward	8,404	1,500

USD '000	2021	2020
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	349	89
Exchange rate adjustments	(24)	7
Paid during the year	(2,924)	(21)
Current tax for the year	348	274
Adjustment to prior years	2,600	-
	348	**349**

Contingent tax liabilities

Lauritzen Bulkers A/S is subject to the Danish tax regulations, which means that by law it is taxed jointly with all Danish subsidiaries of Lauritzen Fonden.

The Subsidiaries of Lauritzen Fonden are jointly and severally liable for tax on the jointly taxed income etc of the Lauritzen Fonden 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.

ACCOUNTING POLICIES

The Lauritzen Bulkers Group's current tax consists of tax payable according to the regulations of the Danish Tonnage Tax Act for shipping activities and according to general tax regulations for net financial income and other activities. The Group doesn't have any other activities presently.

Based on the planned use of vessels and recovery of reversed depreciation, respectively, the Danish tonnage tax regime does not result in a liability, hence, it does not result in any deferred tax in the balance sheet. The liability is merely a contingent liability.

The Lauritzen Bulkers Group is jointly taxed with subsidiaries of the Lauritzen Foundation.
A deferred tax asset is only recognized in relation to unutilized tax-losses-carry-forward and to the extent that it is probable that future taxable profits will be available. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTE 5.1 TAX CONTINUED

CRITICAL ACCOUNTING ESTIMATES & JUDGMENTS

The Group recognizes deferred tax assets, including the expected tax value of tax loss carryforwards, if management assesses that these tax assets can be offset against positive taxable income in the foreseeable future. This judgment is made annually and based on budgets and business plans for the coming years, including planned initiatives.

NOTE 5.2 FEES TO AUDITOR

USD '000	**2021**	2020
Total fees to elected auditors	156	201
Specified as follows:		
Statutory audit	156	137
Fee for other services	-	64

Fees to auditors for 2020 comprise the previous auditors EY while the figures for 2021 comprise the incumbent auditors PwC.

NOTE 5.3 RELATED PARTIES

As owners of Lauritzen Bulkers A/S, the Lauritzen Foundation and its affilliated companies, are related parties.

Other related parties with a significant influence on the activities of Lauritzen Bulkers A/S is the company's Board of Directors and the Executive Management (key management personnel).

Finally, additional related parties comprise joint ventures companies (cf. note 3.4) in which the Group has a significant influence. Subsidiaries and joint ventures together with the shareholding are shown in the List of group companies.

Transactions with related parties comprised the following income/(expenses):

USD '000	**2021**	2020
LF Holding ApS:		
Internal interests income/(expenses)	(18)	-
J. Lauritzen A/S		
Vendor loan**	20,945	20,018
Service-level agreement	(3,659)	(4,577)
Service-level agreement	122	
Internal interests income/(expenses)	926	-
Lauritzen Kosan A/S		
Vendor loan***	3,737	-
Service-level agreement	309	339
Internal interests income/(expenses)	18	-

There have been no other material transactions with related parties other than those stated above.

Remuneration to key management personnel is disclosed in note 2.3.

** Vendor loan terms; Interest USD 3M Libor + 381 bps p.a., payment on demand.

*** Vendor loan terms; Interest Danske BOR in USD+ 250 bps p.a., maturity 1 July 2025.

NOTE 5.4 CONTINGENT LIABILITIES

The Lauritzen Bulkers Group is subject to the Danish tax regulations, which means that by law it is taxed jointly 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.

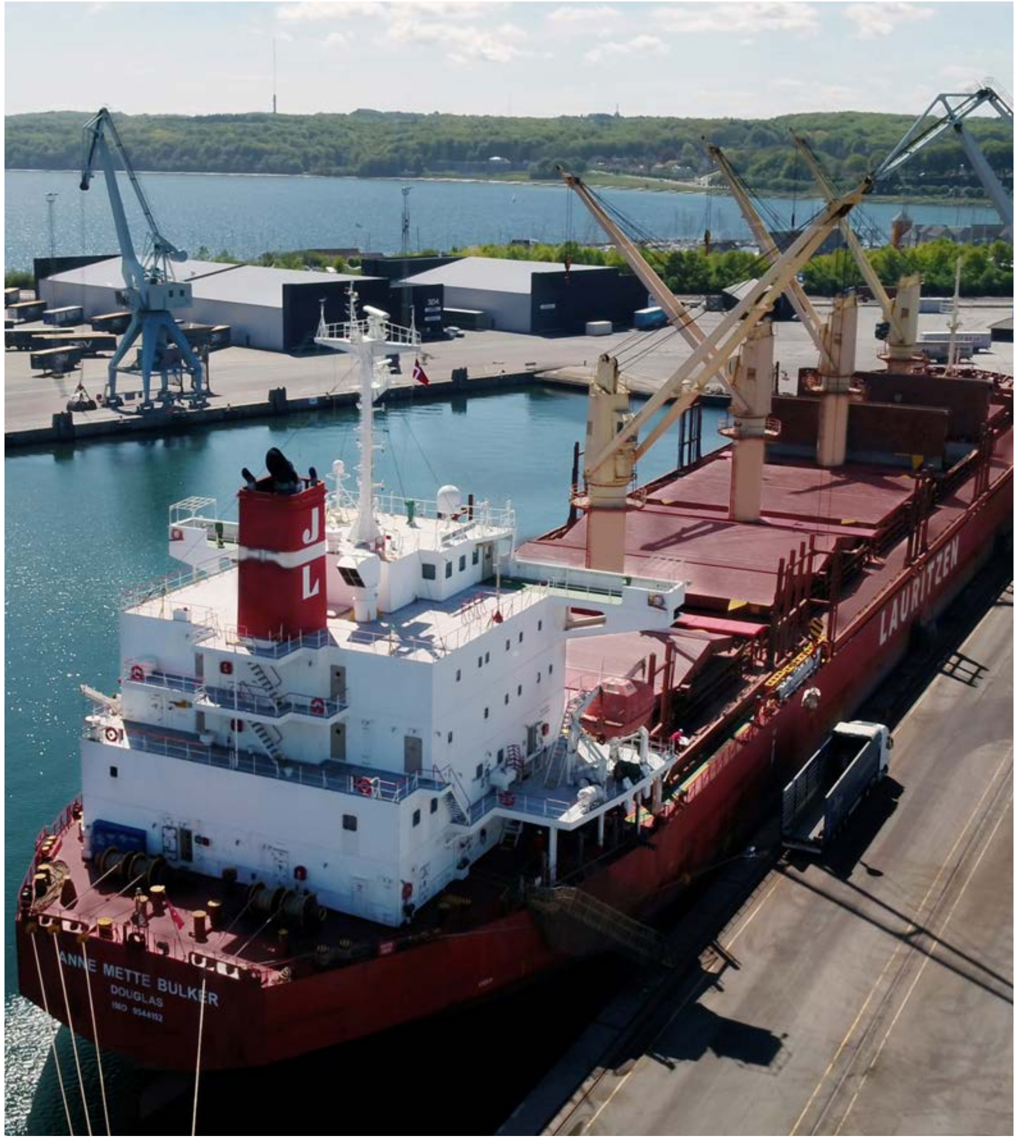
Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company’s liability.

NOTE 5.5 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that could materially affect the accounts as presented.

List of *companies*

COMPANY NAME	COUNTRY	OWNERSHIP %
Lauritzen Bulkers A/S *	**Denmark**	**-**
Lauritzen Bulkers Ship Owner A/S.	Denmark	100
J. Lauritzen Singapore Pte. Ltd.	Singapore	100
J. Lauritzen (USA) Inc.	USA	100
Joint-ventures (ship owning)		
Admiral Logistics Corporation	Panama	50
Milau Pte. Ltd.	Singapore	50
Dormant		
Lauritzen Reefers A/S	Denmark	100



* Branch offices in Singapore, Dubai and Hong Kong

Parent company financial statements

Notes

Income statement

USD '000	Note	2021	2020
Revenue	2.1	836,588	380,359
Voyage related costs	2.1	(239,522)	(166,681)
Time-charter equivalent income		**597,065**	213,678
Other operating income	2.1	1	6
Hire of chartered vessels	3.2	(424,009)	(129,289)
Operating costs of vessels	2.3, 2.4	(37,453)	(41,910)
Administrative costs	2.3, 2.4	(23,157)	(16,898)
Operating income before depreciation (EBITDA) and special items		**112,447**	25,587
Profit/(loss) on sale of vessels and other assets		-	(362)
Depreciation	3.1, 3.2	(29,056)	(35,455)
Share of profit in joint ventures	3.4	(2,647)	(235)
Operating income (EBIT) before special items		**80,743**	(10,465)
Special items, net	2.2	15,546	-
Operating income (EBIT) after special items		**96,289**	(10,465)
Financial income	4.2	1,060	1,190
Financial expenses	4.3	(6,894)	(9,811)
Profit/(loss) before tax		**90,456**	(19,087)
Income tax	5.1	(3,069)	(202)
Profit/(loss) for the year		**87,386**	**(19,288)**
Profit/(loss) attributable to:			
Lauritzen Bulkers		**87,386**	**(19,288)**

Statement of comprehensive income

USD '000	Note	2021	2020
Profit/(loss) for the year		**87,386**	**(19,288)**
Items that can be reclassified subsequently to income statement:			
Other comprehensive income net of tax:			
Exchange differences on translating foreign operations		-	(336)
Fair value adjustment of hedging instruments during the year		45	653
Gain/(loss) on hedging instruments transferred to financial expenses		6	82
Other comprehensive income net of tax		**51**	**399**
Total comprehensive income for the year		**87,437**	**(18,889)**

Balance sheet statement

ASSETS

USD '000	Note	2021	2020
Vessels, property and equipment	3.1	1,398	1,398
Right-of-use assets	3.2	62,935	72,986
Investments in subsidiaries	3.5	46,505	46,505
Investments in joint ventures	3.4	4,907	5,160
Deferred tax assets	5.1	2,200	2,200
Long term receivables from group entities		24,682	20,018
Receivables from joint ventures		905	9,380
Other receivables		-	265
Non-current assets		**143,531**	**157,913**
Bunkers		6,029	4,934
Trade receivables	4.4	17,109	0
Other receivables	3.7	186	983
Prepayments		9,535	6,552
Derivative financial instruments	4.4	11,379	1,087
Cash and cash equivalents		62,033	5,727
Current assets		**106,270**	**19,282**
Total assets		**249,801**	**177,195**

LIABILITIES

USD '000	Note	2021	2020
Share capital		57	57
Retained earnings		117,724	30,338
Reserves		529	478
Equity	4.5	**118,310**	**30,874**
Long-term lease obligations	3.2, 4.1	34,249	71,022
Non-current liabilities		**34,249**	**71,022**
Current portion of long-term lease obligations	3.2, 4.1	34,948	31,394
Trade payables		16,222	6,765
Other payables		8,395	1,550
Deferred income		5,271	-
Derivative financial instruments	4.4	226	1,540
Debt to affliated companies		31,850	33,749
Current tax payables	5.1	329	300
Current liabilities		**97,241**	**75,299**
Total liabilities		**131,490**	**146,322**
Total equity and liabilities		**249,801**	**177,195**

Cash flow statement

USD '000	Note	2021	2020
Operating income before special items		80,743	(11,467)
Depreciation carried back		29,056	35,455
Share of profit in joint ventures		2,647	235
(Profit)/loss on sale of vessels and other assets		-	362
Change in bunkers		(1,095)	7,665
Change in receivables		(25,455)	(8,487)
Change in payables		21,570	(10,397)
Cash flow from operations before financial items		107,466	13,366
Ingoing financial payments		1,060	514
Outgoing financial payments		(5,799)	(7,753)
Cash flow from ordinary operations		102,728	6,127
Paid corporate tax	5.1	(3,018)	-
Cash flow from operating activities		**99,709**	**6,127**
Bank deposits pledged as security for debt		(132)	-
Cash flow from investment activities		**(132)**	**(126)**
Financial receivables		-	(26)
Installment on long-term debt		-	(4,153)
Installment on lease debt (IFRS 16)		(36,489)	(40,839)
Internal debt		(6,744)	5,708
Increase in share capital		-	31,040
Cash flow from financing activities		**(43,233)**	**(8,269)**

	2021	2020
Changes for the year in cash and cash equivalents	56,345	(2,504)
Cash and cash equivalents at beginning of year	5,727	7,911
Currency adjustments on cash and cash equivalents	(38)	320
Cash and cash equivalents at the end of the year	**62,033**	**5,727**

Equity statement

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2021	57	3	(52)	527	478	30,338	30,874
Profit/(loss) for the year	-	-	-	-	-	87,386	87,386
Other comprehensive income:							
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	6	-	-	6	-	6
Fair value adjustment of hedging instruments during the period	-	45		-	45	-	45
Other comprehensive income	-	51	-	-	51	-	51
Total comprehensive income	**-**	**51**	**-**	**-**	**51**	**87,386**	**87,437**
Equity 31/12 2021	**57**	**54**	**(52)**	**527**	**529**	**117,724**	**118,310**

USD '000	Share capital	Hedging instruments	Shares available for sale	Translation gain/loss	**Reserves**	Retained earnings	**Total equity**
Equity 1/1 2020	65,473	(732)	(52)	863	79	(46,830)	18,722
Profit/(loss) for the year	-	-	-	-	-	(19,288)	(19,288)
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	(336)	(336)	-	(336)
Deferred (gain)/loss on hedging instruments transferred to financial expenses	-	82	-	-	82	-	82
Fair value adjustment of hedging instruments during the period	-	653		-	653	-	653
Total other comprehensive income	-	735	-	(336)	399	-	399
Total comprehensive income	**-**	**735**	**-**	**(336)**	**399**	**(19,288)**	**(18,889)**
Transactions with owners:							
Capital increase	7	-	-	-	-	31,033	31,040
Share capital reduction	(65,423)					65,423	-
Total transactions with owners	**(65,416)**	**-**	**-**	**-**	**-**	**96,456**	**31,040**
Equity 31/12 2020	**57**	**3**	**(52)**	**527**	**478**	**30,338**	**30,874**

Section 1
Basis for reporting

ACCOUNTING POLICIES - PARENT

NOTE 1.1 GENERAL INFORMATION

The separate financial statements for the parent company form part of the Annual Report as required by the Danish Financial Statement Act.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional disclosure requirements for annual reports of reporting class C, large enterprises in accordance with in the Danish Financial Statements Act.

NOTE 1.2 ACCOUNTING POLICIES

The accounting policies for the financial statements of the parent company are the same as for the Group consolidated financial statements with the following additions. For a description of the accounting policies of the Group, please refer to the notes of the consolidated financial statements.

The accounting policies for the financial statement of the parent company are unchanged compared to last financial year.

SUPPLEMENTARY ACCOUNTING POLICIES FOR THE PARENT COMPANY

Financial assets
Investments in subsidiaries are recognised in the financial statement of the parent company at cost less accumulated impairment losses. Cost includes fair value of consideration paid plus directly attributable acquisition costs.

If there are indications of impairment, impairment test is performed as described in accounting policies to the consolidated financial statements.

In the income statement dividends received during the year from subsidiaries are shown under financial income. If the distribution from subsidiaries exceeds retained earnings, the distribution reduces the cost of the investment in subsidiaries when the distribution is characterised as repayment of the parent company's investment.

Investments in joint ventures are recognized at equity value.

NOTE 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates and judgments described in the notes of the consolidated financial statements also apply for the financial statements of the parent company. In addition hereto material accounting estimates for the parent company comprise impairment testing of investments and receivables in affiliated companies.

Section 2
Operating activities

NOTE 2.1 REVENUE

The revenue reported represents revenue from customers.

USD '000	2021	2020
Freight revenue	651,287	299,678
COA revenue	14,684	11,783
Time charter revenue	170,617	68,898
Total	**836,588**	**380,359**

NOTE 2.2 SPECIAL ITEMS

To increase the comparability of the operating activities, a number of one-off items have been recognised as special items:

USD '000	2021	2020
Impairment losses/reversals on right-of-use assets, cf. note 3.3	15,546	-
Special items, net	**15,546**	**-**

If special items had been included in the operating profit before special items, they would have been included in the Income Statement as follows:

Income Statement - condensed

USD '000		2021	2020
Revenue	A)	836,588	380,359
Other operating income		1	6
Costs	C)	(724,142)	(354,779)
Operating income before depreciation (EBITDA)		**112,447**	**25,587**
Profit/(loss) on sale of assets		-	(362)
Depreciation and impairment losses	B)	(13,510)	(35,455)
Share of profit in joint ventures	D)	(2,647)	(235)
Operating income		**96,289**	**(10,465)**
Net financial items	E)	(5,833)	(8,621)
Profit/(loss) before tax		**90,456**	**(19,087)**
Income tax		(3,069)	(202)
Profit/(loss)		**87,386**	**(19,288)**

NOTE 2.3 STAFF COSTS, OFFICE & FLEET

	Staff costs onshore employees 1)		Total staff costs	
USD '000	**2021**	2020	**2021**	2020
Salaries	14,324	8,056	14,324	8,056
Pensions (defined contribution plan)	663	668	663	668
Social security	161	110	161	110
Contract labour	2	9	2	9
Total	**15,149**	**8,842**	**15,149**	**8,842**

1) Included in "Administrative costs"

	Number of employees, onshore		Number of employees, total	
	2021	2020	**2021**	2020
Average number of employees	60	57	60	57
Number of employees at year end	63	58	63	58

	Key management		Board of Directors		Total	
USD '000	**2021**	2020	**2021**	2020	**2021**	2020
Salaries	496	398	225	101	721	499
Pensions (defined contribution plan)	90	73	-	-	90	73
Social security	13	15	-	-	13	15
Total	**599**	486	**225**	101	**824**	587

NOTE 2.4 EXPENSES BY NATURE

USD '000	**2021**	2020
Operating costs of vessels	(37,453)	(41,910)
Administrative costs	(23,157)	(16,898)
Total	**(60,610)**	**(58,808)**
Cost spilt by nature:		
Service component of right-of-use assets	(37,384)	(41,577)
Shore based staff, cf. note 2.3	(15,149)	(8,842)
Other external costs	(8,077)	(8,389)
Total	**(60,610)**	**(58,808)**

Section 3
Operating assets and liabilities

NOTE 3.1 VESSELS, PROPERTY & EQUIPMENT

USD '000 **2021**	Land and buildings	Machinery, tools and equipment	Total
Cost as at 1 January	331	10,153	10,484
Cost as at 31 December	331	10,153	10,484
Depreciation and impairment losses as at 1 January	(331)	(8,755)	(9,086)
Depreciation	-	-	-
Depreciation and impairment losses as at 31 December	(331)	(8,755)	(9,086)
Balance as at 31 December	**-**	**1,398**	**1,398**

USD '000 2020	Land and buildings	Machinery, tools and equipment	Total
Cost as at 1 January	331	10,153	10,485
Cost as at 31 December	331	10,153	10,485
Depreciation and impairment losses as at 1 January	(331)	(8,717)	(9,048)
Depreciation	-	(38)	(38)
Depreciation and impairment losses as at 31 December	(331)	(8,755)	(9,086)
Balance as at 31 December	**-**	**1,398**	**1,399**

NOTE 3.2 LEASES

Right-of-use assets (leased assets)

USD '000 2021	Vessels	Land & buildings	Total
Balance as at 1 January	72,986	-	72,986
Additions	13,768	-	13,768
Depreciation during the year	(29,004)	-	(29,004)
Reversal of impairment losses	15,546	-	15,546
Disposals	(10,362)	-	(10,362)
Balance as at 31 December	**62,935**	**-**	**62,935**

USD '000 2020	Vessels	Land & buildings	Total
Balance as at 1 January	98,661	327	98,988
Additions	9,453	-	9,453
Depreciation during the year	(35,128)	(327)	(35,455)
Balance as at 31 December	**72,986**	**-**	**72,986**

Lease obligations

USD '000	2021	2020
Maturity of lease obligations:		
<1 year	38,709	31,394
1-5 years	35,944	66,903
> 5 years	-	1,881
Total un-discounted lease obligation in Balance sheet statement 31 December	74,653	100,178
Lease obligation in Balance sheet statement	**69,197**	**102,415**
Short-term obligation	34,948	31,394
Long-term obligation	34,249	71,022
Obligation on service element of lease contracts not recognised	56,841	92,190

Lease amounts recognised in the Income statement

USD '000	2021	2020
Costs related to short-term leases (less than 12 months)	(416,583)	(129,289)
Service element not recognised as part of the lease obligation (opex)	(37,384)	(41,577)
Depreciations related to right-of-use assets	(13,510)	(35,455)
Interest expenses related to lease obligations	(5,578)	(8,546)

In 2021 Lauritzen Bulkers A/S has paid USDm (79.5) related lease contracts recognised at the balance sheet, hereof interest of USDm (5.6) and repayment of lease obligations of USDm (36.5), while the service element not included in the recognised lease contracts amounts to USDm (37.4).

Subleases

Below is the maturity analysis for sublease receivables based on contractual undiscounted payments:

USD '000	2021	2020
<1 year	42,842	8,435
1-5 years	13,119	-
Total	**55,960**	**8,435**

NOTE 3.3 IMPAIRMENT OF ASSETS

Impairment test 2021

A test has been performed at year-end 2021 to assess if there is an indication of impairment or need to reverse previously recognised impairments. It was concluded, firstly, that there is no indication of need to recognise new impairment losses, and, secondly, basis rates expected for the next two years and historical average rates for subsequent years, that value-in-use of vessels (right of use assets) has increased to an extent supporting a reversal of previously recognised impairment losses of USDm 15.6 on right-of-use assets. The book value of vessels is supported by the value in use of the vessels.

NOTE 3.4 INVESTMENTS IN JOINT VENTURES

USD '000	**2021**	2020
Cost as at 1 January	5,245	5,245
Cost as at 31 December	5,245	5,245
Revaluation as at 1 January	(85)	150
Profit for the year	(1,033)	(235)
Revaluations during the year	(1,614)	-
Revaluation as at 31 December	(2,733)	(85)
Balance as at 31 December	2,512	5,160
Negative equity settled against receivable from joint ventures	**2,395**	**-**
Balance as at 31 December	**4,907**	**5,160**

Key figures for joint ventures (100%):

USD '000	**2021**	2020
Revenue	7,627	7,606
Net profit	(2,066)	(588)
Assets	22,685	27,597
Liabilities	17,660	20,286
Group's share of net profit	(1,033)	(235)
Internal profit/loss	-	-
Net profit in joint ventures	(1,033)	(235)
Group's share of equity	2,512	5,160
Internal profit/loss	-	(6,661)
Total	2,512	(1,501)

No significant restrictions apply to distributions from the joint venture.

NOTE 3.5 INVESTMENTS IN SUBSIDIARIES

	Ownership	
	2021	2020
Lauritzen Reefers A/S, Denmark	100%	100%
J. Lauritzen Singapore Pte., Singapore	100%	100%
J. Lauritzen (USA) Inc., USA	100%	100%
Lauritzen Bulkers Ship Owner A/S, Denmark	100%	100%

USD '000	**2021**	2020
Cost as at 1 January	357,694	357,694
Disposal during the year	-	-
Cost as at 31 December	357,694	357,694
Accumulated impairment losses at 1 Jan	(311,189)	(303,096)
Revaluations during the year	-	(1,001)
Disposal during the year	-	(7,092)
Revaluation as at 31 December	(311,189)	(311,189)
Balance as at 31 December	**46,506**	**46,505**

Vessels and other assets and liabilities in subsidiaries have been recognised in accordance with the company's accounting principles including principles for impairment testing. Consequently the cost price after impairment losses is accounted for in the equity.

NOTE 3.6 WORKING CAPITAL

USD '000	**2021**	2020
Bunkers	6,029	4,934
Trade receivables	17,109	-
Other receivables	186	983
Prepayments	9,535	6,552
Total working capital assets	32,858	12,469
Trade payables	16,222	6,765
Other payables	8,395	1,550
Deferrred income	5,271	-
Total working capital liabilities	29,889	8,316
Net working capital	**2,970**	**4,153**

NOTE 3.7 OTHER RECEIVABLES

USD '000	**2021**	2020
Bank deposits pledged as security for debt	132	-
Insurance claims	-	1,528
Other short-term receivables	54	(545)
Total other receivables	**186**	**983**

Section 4
Capital structure and financing

NOTE 4.1 LONG-TERM BORROWINGS

	2021						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Lease liabilities	(34,948)	(25,862)	(8,338)	(49)	-	-	(69,197)
Total long-term borrowings	**(34,948)**	**(25,862)**	**(8,338)**	**(49)**	**-**	**-**	**(69,197)**

	2020						
USD '000	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year	Total
Lease liabilities	(33,631)	(28,848)	(25,935)	(10,137)	(1,984)	(1,881)	(102,415)
Total long-term borrowings	**(33,631)**	**(28,848)**	**(25,935)**	**(10,137)**	**(1,984)**	**(1,881)**	**(102,415)**

USD '000	Currency	Fixed/ Variable	Interest rate fixation	Average effective interest rate excl. hedging	Average effective interest rate incl. hedging	Book value
2021						
Other financing:						
Lease liabilities	USD	Fixed	0-80 months	7.30%	N/A	(69,197)
Total						**(69,197)**
2020						
Other financing:						
Lease liabilities	USD	Fixed	0-60 months	7.78%	N/A	(102,415)
Total						**(102,415)**

NOTE 4.1 LONG-TERM BORROWINGS CONTINUED

Interest exposure on long-term borrowings to floating interest rates:

USD '000	2021	2020
Total long-term borrowings (including current portion)	(14,658)	(14,852)
Hereof amortised transaction costs	97	141
Floating interest borrowings	(14,755)	(14,992)
Interest rate swaps floating to fixed, nominal	6,707	7,496
Exposure to floating interest rates at year end	**(8,048)**	**(7,496)**

Changes in liabilities arising from financing activities

USD '000 **2021**	Mortage on vessels	Leases of vessels	Total liabilities from financing activities
Book value 1 of January	(14,856)	(97,924)	(112,780)
Lease additions during the year	-	(6,053)	(6,053)
Repayment (Cash flow)	9,237	33,692	42,928
Proceeds (Cash flow)	(9,000)	-	(9,000)
Early redelivery of right of use assets	-	8,824	8,824
Capitalisation of loan cost	64	-	64
Amortised transaction costs	(108)	-	(108)
Balance as at 31 December	**(14,662)**	**(61,461)**	**(76,123)**

USD '000 2020	Mortage on vessels	Leases of vessels	Total liabilities from financing activities
Book value 1 of January	(13,544)	(134,128)	(147,672)
Lease additions during the year	-	(3,930)	(3,930)
Repayment (Cash flow)	(486)	40,134	39,648
Foreign exchange movement	(128)	-	(128)
Capitalisation of loan cost	162	-	162
Amortised formation costs	(860)	-	(860)
Balance as at 31 December	**(14,856)**	**(97,924)**	**(112,780)**

NOTE 4.2 FINANCIAL INCOME

USD '000	2021	2020
Interest income, bank deposits	53	414
Other financial income	81	100
Currency exchange gains and losses, net	-	651
Interest income, affiliated enterprises	926	-
Financial instruments at FV through P&L, net	-	25
Financial income	**1,060**	**1,190**

NOTE 4.3 FINANCIAL EXPENSES

USD '000	2021	2020
Interest expenses on loans	(59)	(90)
Interest expenses on leases	(5,578)	(8,546)
Other financial expenses	(168)	(174)
Currency exchange gains and losses, net	(965)	-
Impairment subsidiaries	-	(1,001)
Financial instruments at FV through P&L, net	(124)	-
Financial expenses	**(6,894)**	**(9,811)**

NOTE 4.4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial risk for Lauritzen Bulkers A/S relate to:

Liquidity risk	The risk that Lauritzen Bulkers A/S is not able to meet its future cash flow needs.
Market risk	The risk of losses in financial positions arising from movements in market prices to which Lauritzen Bulkers is exposed.
Credit risk	The risk of incurring a financial loss if a counterparty fails to fulfill its contractual obligations.

Financial risk is regularly assessed and prioritised based on how likely it is to occur and its potential impact. As defined by the board of directors, overall policies and objectives for financial risks were generally unchanged from 2020. For a description of financial risk and how it is managed reference is made to note 4.5 of to the consolidated financial statements

Liquidity risk

Liquidity risk relates to the risk that Lauritzen Bulkers will not be able to fulfill its financial obligations as they fall due. Below is a maturity analysis of financial liabilities at year-end 2021:

Contractual cash flow

USD '000

2021	Carrying amount	Contractual cash flow	<1 year	1 - 2 year	2 - 3 year	3 - 4 year	4 - 5 year	> 5 year
Long term receivables from group entities	24,682	24,682	-	24,682	-	-	-	-
Receivables from joint ventures**	905	966	-	966	-	-	-	-
Trade and other receivables	32,858	32,858	32,858	-	-	-	-	-
Derivative financial instruments	11,379	11,379	8,578	2,717	83	-	-	-
Cash and cash equivalents	62,033	62,033	62,033	-	-	-	-	-
Interest-bearing debt *	(69,197)	(74,838)	(38,724)	(27,418)	(8,646)	(50)	(0)	-
Trade and other payables	(24,617)	(24,617)	(24,617)	-	-	-	-	-
Derivatives, liabilities at fair value	(226)	(227)	(226)	-	-	-	-	-
Total at 31 December 2021	**37,816**	**32,235**	**39,903**	**947**	**(8,563)**	**(50)**	**(0)**	**-**
2020								
Interest bearing debt **	(102,415)	(115,054)	(39,512)	(32,523)	(27,956)	(10,841)	(2,245)	(1,976)
Trade payable and other payables	(8,316)	(8,316)	(8,316)	-	-	-	-	-
Derivatives, liabilities at fair value	(1,540)	(1,541)	(1,540)	-	-	-	-	-
Total at 31 December 2020	**(112,271)**	**(124,911)**	**(49,369)**	**(32,523)**	**(27,956)**	**(10,841)**	**(2,245)**	**(1,976)**

* Receivables from joint ventures is based a zero interest loan

** Contractual cash flow includes undiscounted interest payments based on interest levels at year-end.

NOTE 4.4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Market risk

Market risk is risk of losses on financial positions arising from movements in market prices to which Lauritzen Bulkers A/S is exposed through financial instruments. The sensitivity analysis of Lauritzen Bulkers A/S's exposure to market risk is disclosed below.

Sensitivity information is calculated at balance sheet date and comprises only sensitivity relating to financial instruments, therefore the amounts disclosed do not necessarily give a complete picture of the Parent Company's risk relating to changes in currency rates and interest rates.

Currency risk

To measure currency risk in accordance with IFRS 7, sensitivity is calculated as the change in fair value of future cash flows from financial instruments as a result of fluctuations in exchange rates on balance sheet date. Other things being equal and after tax, sensitivity to fluctuations in non-USD currencies at balance sheet date based on a 10% decrease in currency translation rates against USD (assuming 100% effectiveness) would result in a net profit/loss of USDm (1.9) (2020: USDm (0.6)) and affect equity by USDm (1.9) (2020: USDm (0.6)). The effect of a 10% increase in the currency translation rates against USD would have a corresponding inverse effect.

Interest rate risk

Sensitivity of interest fluctuations is calculated as the hypothetic effect on net profit and equity as a result of fluctuations in interest rates at balance sheet date.

The sensitivity analysis includes financial instruments recognised at fair value for which the calculated effect on equity represents an immediate fair value change from a thought change in interest rates and financial instruments with variable interest recognised at amortised costs for which the calculated effect represents a one year effect on net profit and equity based on balances at year-end.

Assumptions for the sensitivity analysis:

- All hedging instruments are assumed 100% effective.
- Changes in interest rates are global and thus the impact on the fair value of forward currency contracts and similar derivatives is not considered.
- Shares available for sale and shares at fair value through profit or loss are not included in sensitivity calculations due to inability to reliably measure the sensitivity of share prices to interest rate changes.

On financial instruments at fair value, the calculated effect after tax based on a 1% interest rate increase would affect profit/loss by USDm 0.1 (2020: USDm 0.1)) and equity by USDm 0.1 (2020: USDm 0.2). On financial instruments with variable interest recognised at amortised costs, profit/loss and equity would be affected by USDm 0.6 (2019: USDm (0.1)).

A 1% interest rate decrease would as a maximum have a corresponding inverse effect.

Credit risk

Credit risk is the risk of incurring a financial loss if a customer or counterparty fails to fulfill its contractual obligations.

In 2021 and 2020 no provisions were made for losses on trade receivables. The Parent Company did not have any further overdue trade receivables (2020: USD nil).

At year-end 2021, the majority of our financial counterparties had credit ratings of or above Baa2.

Lauritzen Bulkers A/S's exposure to credit risks at balance sheet date can be illustrated as follows:

Credit risk

USD '000	2021	2020
Long term receivables from group entities	24,682	20,018
Other long-term receivables	905	9,645
Trade receivables	17,109	-
Financial derivatives	11,379	1,087
Other short-term receivables	186	983
Cash and bank deposits	62,033	5,727
Maximum credit risk	**116,293**	**37,460**

The maximum credit risk corresponds to the carrying value of the individual assets.

NOTE 4.4 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS CONTINUED

Derivative financial instruments

Our policy is to use derivative financial instruments to hedge financial risks. At year end the Company held the following derivatives:

USDm		2021				2020			
	Cash flow / Fair value hedge	Nominal, USDm	Duration, month	Recognised on equity	Fair value	Nominal, USDm	Duration, month	Recognised on equity	Fair value
Hedge accounting applied:									
Interest rate swaps	Cash flow	6.7	18	0.0	0.0	7.5	30	(0.0)	(0.0)
Total				**0.0**	**0.0**			**(0.0)**	**(0.0)**
Hedge accounting not applied:									
Currency: USD/EUR	N/A	6.0	0-11	-	0.3	2.3	0-12	-	0.1
Currency: USD/DKK	N/A	13.2	3-13	-	(0.2)	5.4	0-11	-	0.2
FFAs and oil contracts	N/A	N/A	0-36	-	11.0	N/A	1-24	-	(0.7)
Total				**-**	**11.1**			**-**	**(0.4)**
Total derivative financial instruments					**11.2**				**(0.4)**
Presented in the financial statement as:									
Derivative financial instruments, assets					11.4				1.1
Derivative financial instruments, liabilities					(0.2)				(1.5)

Categories of financial assets and liabilities

The following categories of financial assets and liabilities are recognised in the balance sheet:

USD '000	2021	2020
Fin. assets at FV through P/L *	11,379	1,087
Loans and receivables**	80,232	16,355
Long term receivables from group entities**	24,682	20,018
Fin. liabilities - at FV through P/L *	(226)	(1,540)
Fin. liabilities - at amortised cost**	(93,814)	(110,731)

* Figure includes financial derivatives designated for hedge accounting.
** Amounts recognised for financial asset and liabilities at amortised cost do not differ materially from their fair value.

Fair value hierarchy

All financial instruments are stated at fair value on the basis of observable market prices (Level 2), directly as prices or indirectly derived from prices.

NOTE 4.5 EQUITY

The authorized and issued share capital of J. Lauritzen A/S amount to DKKt 400 (2020: DKKt 400) with 8 shares (2020: 8 shares) of DKK 50,000 or multiples of this.

	No. of shares		Nominal DKKt	
	2021	2020	**2021**	2020
1 January	8	37	400	460,100
Capital reduction	-	(29)	-	(459,700)
31 December	**8**	**8**	**400**	**400**

NOTE 4.6 DIVIDENDS

USD '000	**2021**	2020
Proposed dividend per share, DKKm	44,288	-
The amount available for distribution as dividend USD	**117,724**	**30,338**

Dividends proposed paid for 2021 amount to USD 54 million equal to DKKm 44.288 per share. The proposed dividend for 2021 will be considered on the annual general meeting in 2022. In 2020 no proposed dividends were included.

Section 5
Other notes

NOTE 5.1 TAX

USD '000	2021	2020
Tax in the Income Statement consists of:		
Adjustment of current tax for previous years	(2,741)	-
Current tax	(329)	(202)
Total	**(3,069)**	**(202)**
Tax on the profit is specified as follows:		
Calculated 22% of result before tax	(19,900)	4,199
Adjustment in foreign companies deviating from 22% tax	-	(37)
Tax effect of:		
Tonnage tax	19,900	(4,364)
Adjustments previous year	(2,741)	-
	(3,069)	**(202)**
Effective tax rate	**3%**	**1%**
Deferred tax on the Balance Sheet:		
Deferred tax 1 January	2,200	2,200
Deferred tax 31 December	**2,200**	**2,200**
Deferred tax concerns:		
Taxable losses carried forward to be used within five years	2,200	2,200
	2,200	2,200
Unrecognised share of taxable losses carried forward	7,423	1,500

USD '000	2021	2020
Corporate tax (receivable)/payable can be specified as follows:		
Balance 1 January	300	89
Exchange rate adjustments	(21)	9
Paid during the year	(3,018)	-
Current tax for the year	329	202
Adjustment to prior years	2,741	-
	329	**300**

Contingent tax liabilities

Lauritzen Bulkers A/S is subject to the Danish tax regulations, which means that by law it is taxed jointly with all Danish subsidiaries of Lauritzen Fonden.

The Subsidiaries of Lauritzen Fonden are jointly and severally liable for tax on the jointly taxed income etc of the Lauritzen Fonden 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.

NOTE 5.2 FEES TO AUDITORS

USD '000	2021	2020
Total fees to elected auditors	114	184
Specified as follows:		
Statutory audit	114	120
Fee for other services	-	64

Fees to auditors for 2020 comprise the previous auditors EY while the figures for 2021 comprise the incumbent auditors PwC.

NOTE 5.3 RELATED PARTIES

As owners of Lauritzen Bulkers A/S, the Lauritzen Foundation and its affilliated companies, are related parties.

Other related parties with a significant influence on the activities of Lauritzen Bulkers A/S is the company's board of directors and the executive management (key management personnel).

Finally, additional related parties comprise joint ventures companies (cf. note 3.4) in which the Group has a significant influence. Subsidiaries and joint ventures together with the shareholding are shown in the List of group companies.

Transactions with related parties comprised the following income/(expenses):

USD '000	**2021**	2020
Group companies:		
Management fee, income/(expenses)	(1,860)	(1,739)
TC income/(expenses)	(7,427)	(3,130)
Internal interests income/(expenses)	926	-
Service-level agreement	(4,395)	(5,127)
Vendor loan**	20,945	20,018
Vendor loan***	3,737	-
Joint ventures and associated companies:		
Purchase of Vessel	16,000	-
Shareholder Loan	(6,081)	-

* Vendor loan terms; Interest USD 3M Libor + 381 bps p.a., payment on demand.

** Vendor loan terms; Interest Danske BOR in USD+ 250 bps p.a., maturity 1 July 2025.

There have been no other material transactions with related parties other than those stated above. Remuneration to key management personnel is disclosed in note 2.3.

NOTE 5.4 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that could materially affect the accounts as presented.

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FINANCIAL YEAR
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