

# 2020 BULKERS

BOARD OF  
DIRECTORS'  
REPORT

Q3 2021

Results for the Third Quarter of 2021

Hamilton, Bermuda, October 27, 2021

2020 Bulkera Ltd. ("2020 Bulkera" or the "Company"), today announced its unaudited financial and operating results for the three and nine months ended September 30, 2021.

### **Key events during the third quarter of 2021**

- The Company reported net profit of US\$21.6 million and EBITDA of US\$27.1 million for the third quarter of 2021.
- Achieved average time charter equivalent earnings of approximately US\$46,000, per day, gross.
- The Company declared total cash distributions of US\$0.97 per share for the months of July, August and September 2021.
- In August 2021, the Company converted the index-linked charters for Bulk Sandefjord and Bulk Shanghai into fixed rate charters at US\$54,000 per ship per day, gross, for the period from September 1, 2021 until December 31, 2021. In addition, both vessels will still earn a profit share based on the fuel cost savings from the scrubbers.
- In September 2021, the Company converted the index-linked charters for Bulk Shenzhen and Bulk Sydney into fixed rate charters at US\$61,628 and US\$60,260 per ship per day, gross, for the period from November 1, 2021 until December 31, 2021. In addition, both vessels will still earn a profit share based on the fuel cost savings from the scrubbers.
- At the 2021 Annual General Meeting held June 24, 2021, it was approved to reduce the Share Premium Account (APIC) of the Company by US\$75 million and to credit the same amount resulting from the reduction to the Company's Contributed Surplus account, with effect from July 1, 2021.

### **Subsequent Events**

- Achieved average time charter equivalent earnings so far in the fourth quarter of approximately US\$65,500, per day, gross.

## **Management discussion and analysis**

### *Consolidated Statements of Operations*

#### *Three months ended September 30, 2021*

Operating revenues were US\$32.8 million for the three months ended September 30, 2021 (US\$15.7 million for the three months ended September 30, 2020). The increase compared to the three months ended September 30, 2020 is driven by a significantly improved market. The Company achieved an average time charter equivalent rate, gross, of US\$46,000 for the three months ended September 30, 2021, compared to US\$22,100 for the three months ended September 30, 2020.

Total operating expenses were US\$8.7 million for the three months ended September 30, 2021 (US\$8.0 million for the three months ended September 30, 2020).

Vessel operating expenses were US\$4.5 million and US\$3.9 million for the three months ended September 30, 2021 and 2020, respectively. The increase compared to the three months ended September 30, 2020 is driven by US\$0.3 million in vessel repair related costs. Vessel operating expenses include an estimated US\$0.2 million in Covid-19 related expenses for the three months ended September 30, 2021.

Voyage expenses and commission were US\$0.4 million for the three months ended September 30, 2021 (US\$0.3 million for the three months ended September 30, 2020). The increase compared to the three months ended September 30, 2020 is due to higher commissions on charter hire.

General and administrative expenses were US\$0.8 million for the three months ended September 30, 2021 (US\$0.9 million for the three months ended September 30, 2020).

Depreciation and amortization were US\$3.0 million for the three months ended September 30, 2021 (US\$2.9 million for the three months ended September 30, 2020).

Total financial expenses, net, were US\$2.5 million for the three months ended September 30, 2021 (US\$2.9 million for the three months ended September 30, 2020). The decrease compared to the three months ended September 30, 2020 is due to lower interest rates on long term debt. The interest rate swaps became effective during the three months ended September 30, 2020.

#### *Nine months ended September 30, 2021*

Operating revenues were US\$78.2 million for the nine months ended September 30, 2021 (US\$34.3 million for the nine months ended September 30, 2020). The increase compared to the nine months ended September 30, 2020 is driven by all eight vessels in operation for the full nine months and a significantly improved market. The Company achieved an average time charter equivalent rate, gross, of US\$36,500 for the nine months ended September 30, 2021, compared to US\$19,400 for the nine months ended September 30, 2020. Bulk Santos and Bulk Sao Paulo commenced operation during June, 2020.

Total operating expenses were US\$26.3 million for the nine months ended September 30, 2021 (US\$19.4 million for the nine months ended September 30, 2020).

Vessel operating expenses were US\$12.9 million and US\$9.2 million for the nine months ended September 30, 2021 and 2020, respectively. The increase compared to the nine months ended September 30, 2020 is primarily driven by the expansion of the fleet as discussed above under Operating revenues and an estimated US\$0.8 million in Covid-19 related expenses (US\$0.3 million for the nine months ended September 30, 2020).

Voyage expenses and commission were US\$2.2 million for the nine months ended September 30, 2021 (US\$1.0 million for the nine months ended September 30, 2020). The increase compared to the nine months ended September 30, 2020 is due to voyage contract expenses for Bulk Shenzhen and higher commission on charter hire.

General and administrative expenses were US\$2.4 million for the nine months ended September 30, 2021 (US\$2.2 million for the nine months ended September 30, 2020).

Depreciation and amortization were US\$8.8 million for the nine months ended September 30, 2021 (US\$7.0 million for the nine months ended September 30, 2020). The increase compared to the nine months ended September 30, 2020 relates to depreciation on vessels delivered during June 2020.

Total financial expenses, net, were US\$7.4 million for the nine months ended September 30, 2021 (US\$7.4 million for the nine months ended September 30, 2020).

#### *Consolidated Balance Sheets*

The Company had total assets of US\$396.6 million as of September 30, 2021, (December 31, 2020: US\$395.7 million).

Total shareholders' equity was US\$152.2 million and US\$142.1 million as of September 30, 2021 and December 31, 2020, respectively.

Total liabilities as of September 30, 2021, were US\$244.4 million (December 31, 2020: US\$253.6 million). The decrease is primarily due to scheduled repayments on the Company's long term debt.

#### *Consolidated Statements of Cash Flows*

##### *Three months ended September 30, 2021*

Net cash provided by operating activities was US\$27.7 million for the three months ended September 30, 2021 (US\$7.3 million for the three months ended September 30, 2020). The increase compared to the three months ended September 30, 2020 is due to improved earnings.

Net cash used in investing activities was US\$nil for the three months ended September 30, 2021 (US\$0.2 million for the three months ended September 30, 2020).

Net cash used in financing activities was US\$21.5 million during the three months ended September 30, 2021 (US\$4.0 million used in financing activities during the three months

ended September 30, 2020). The Company repaid US\$3.7 million of long-term debt as well as paying US\$18.2 million of cash distributions during the three months ended September 30, 2021. The Company repaid US\$3.8 million of long-term debt during the three months ended September 30, 2020.

#### *Nine months ended September 30, 2021*

Net cash provided by operating activities was US\$56.7 million for the nine months ended September 30, 2021 (US\$14.8 million for the nine months ended September 30, 2020). The increase compared to the nine months ended September 30, 2020 is due to earnings from eight vessels in operation for the full nine months and improved earnings. Bulk Santos and Bulk Sao Paulo commenced operation during June, 2020.

Net cash used in investing activities was US\$nil for the nine months ended September 30, 2021 (US\$124.0 million for the nine months ended September 30, 2020). During the nine months ended September 30, 2020 the Company paid delivery instalments of US\$120 million for Bulk Shenzhen, Bulk Sydney, Bulk Santos and Bulk Sao Paulo.

Net cash used in financing activities was US\$48.2 million during the nine months ended September 30, 2021 (US\$108.5 million provided by financing activities during the nine months ended September 30, 2020). The Company repaid US\$11.1 million of long-term debt as well as paying US\$37.5 million of dividends and cash distributions during the nine months ended September 30, 2021. The Company drew US\$120.0 million on the term loan facility when the Company paid delivery instalments for Bulk Shenzhen, Bulk Sydney, Bulk Santos and Bulk Sao Paulo during the nine months ended September 30, 2020. The Company also repaid US\$8.7 million of long-term debt and paid US\$1.7 million of dividends during the nine months ended September 30, 2020.

As of September 30, 2021, the Company's cash and cash equivalents and restricted cash amounted to US\$28.5 million (December 31, 2020: US\$20.0 million).

### **Corporate Developments and Financing**

The Board is pleased that the Company has remained profitable for each quarter following delivery of the first vessel in Q3 2019.

The Board remains focused on returning the majority of operational free cash flow after debt service back to shareholders on a monthly basis. The Company has as of today declared dividends or cash distributions for 15 consecutive months. Following the cash distribution for September, the Company will have returned 38% of the paid-in equity to shareholders.

The Company has a solid funding situation with a cash position of approximately US\$27.5 million as of October 26, 2021.

Cash breakeven for the fleet, which includes expected general and administrative expenses, operating costs and debt service is estimated at approximately US\$14,500 per vessel per day for 2021.

The Company currently has around US\$210 million of net debt, corresponding to approximately US\$26 million per vessel. Based on the amortization profile of the debt and sale leaseback financing, debt will be repaid by approximately US\$15 million per year, corresponding to an annual average debt reduction of US\$1.85 million per vessel.

### **Commercial update**

In Q3 2021, the Company achieved average time charter equivalent earnings of approximately US\$46,000 per day, gross. The Company's vessels trading on index-linked time charter earned approximately US\$53,100 per day, gross, including average daily scrubber benefits of approximately US\$1,500 per day. The Company's vessels trading on fixed time charter earned approximately US\$34,900 per day, gross, including average daily scrubber benefits of approximately US\$1,800 per day. Bulk Shenzhen received US\$35,000 per day in off-hire insurance for 43 days in Q3 2021.

The Baltic 5TC Capesize Index averaged US\$42,379 per day in Q3 2021.

So far in the fourth quarter, the Company has achieved time charter equivalent earnings of approximately US\$65,500 per day. The Baltic 5TC Capesize Index has averaged US\$69,126 per day in the same period.

### **Commercial update**

2020 Bulkers has commercially outperformed the Baltic 5TC index for 23 out of 26 months since delivery of its first vessel.

Currently, 2020 Bulkers has four vessels trading on index-linked time charters. The Bulk Sao Paulo, Bulk Santos, Bulk Sandefjord and Bulk Shanghai are trading on fixed time charters at an average rate of US\$40,600 per day, gross, plus daily scrubber benefits until the end of 2021. Effective November 1, 2021, Bulk Shenzhen and Bulk Sydney will also be trading on fixed time charters plus daily scrubber benefits until the end of 2021, bringing the average of six ships on fixed charter to US\$47,400 per day, gross, plus scrubber benefit. All the concluded charters represent a significant earnings premium to a standard Capesize vessel driven by the additional cargo intake and lower fuel consumption. Charterers are also paying a premium to reflect the economic benefit of our vessels' scrubbers.

For Q4 2021, the Company has fixed employment for approximately 490 days at US\$45,678 per day and 246 operating days are linked to the development in the Capesize spot market. Based on the Company's constructive market view, our strategy is to maintain a high exposure to the spot market for 2022. The structure of our index-linked contracts allows the Company to convert these charters to fixed rates on the basis of the prevailing FFA market from time to time, should we wish to increase our level of fixed charter coverage.

The current chartering status is summarized in the table below:

<b>Ship name</b>	<b>Delivery</b>	<b>Charterer</b>	<b>Rate US\$</b>	<b>Charter expiry</b>
Bulk Sandefjord	Aug-19	Koch	53 959 + scrubber benefit (until 31 Dec 2021), index linked + premium + scrubber benefit	Aug 22
Bulk Santiago	Sep-19	Koch	Index linked + premium + scrubber benefit	Nov 21 – Jan 22
Bulk Seoul	Oct-19	Koch	Index linked + premium + scrubber benefit	Dec 21 – Feb 22
Bulk Shanghai	Nov-19	Koch	54 000 + scrubber benefit (until 31 Dec 2021), index linked + premium + scrubber benefit	Sep 22 – Mar 23
Bulk Shenzhen	Jan-20	Koch	Index linked + premium + scrubber benefit, 61 628 + scrubber benefit (1 Nov - 31 Dec 2021)	Nov 22 – Mar 23
Bulk Sydney	Jan-20	Koch	Index linked + premium + scrubber benefit, 60 260 + scrubber benefit (1 Nov - 31 Dec 2021)	Jan 23
Bulk Sao Paulo	Jun-20	Glencore	27,255 + scrubber benefit (until 31 Dec, 2021), index linked + premium + scrubber benefit	May – Jul 23
Bulk Santos	Jun-20	Glencore	27,255 + scrubber benefit (until 31 Dec, 2021), index linked + premium + scrubber benefit	May – Jul 23

## Market commentary

Capesize rates averaged US\$42,379 in the third quarter of 2021, up from US\$20,761 during the third quarter of 2020. The Baltic 5TC Capesize index today stands at US\$43,985 per day having averaged US\$69,126 per day so far in the fourth quarter.

The strong rates compared to the same period in 2021 are aided by strong iron ore export volumes, in particular out of Brazil, as well as a slowdown in the delivery of newbuildings. Brazilian iron ore exports for the first 43 weeks of 2021 reached 285 million tons, an increase of 7.6% compared to the same period last year. Vale, Brazil's largest iron ore producer, reported iron ore production of 233 million tons during the first three quarters, an increase of 9% compared to the same period in 2020. The fact that Brazil's year over year growth in exports continues to mirror the increase in production may suggest that every incremental ton produced by Vale is likely to be exported. In their third quarter production update, Vale indicated that they are likely to hit the lower end of their 2021 production guidance of 315-335 million tons of iron ore production. This would imply production in the fourth quarter of around 82 million tons, down from 89 million tons in the third quarter. Longer term, Vale maintains ambitions to increase output to more than 400 million tons per year within the coming years. Iron ore exports out of Australia for the first 43 weeks of 2021 reached 741 million tons, in line with the same period last year.

Chinese steel production for January through September 2021 was up 2% compared to the same period in 2020. During recent months, there has been a significant slowdown in Chinese steel production, following government restrictions aimed at limiting pollution. September showed a sequential 11% decline in Chinese steel production compared to August, with production coming in 20% lower than September 2020. Chinese steel inventories have continued to post significant drawdowns, with current steel rebar inventories 17% below the levels seen at the same time last year. The decline in inventories, combined with the fact that Chinese steel rebar prices are still 50% higher than the same period last year, may suggest that steel demand remains strong and steel production will eventually have to recover to meet demand. The current production cuts announced for steel mills in 28 Chinese cities, will be in effect until March 15, 2022.

Chinese iron ore imports were down 2.4% year over year for the period January through September 2021.

Chinese iron ore port inventories currently stand at 140.2 million tons, compared to 127.8 million tons a year ago. The current inventories represent 37 days of consumption, up from 32 days at the same time last year.

Steel production in the rest of the world has already recovered beyond levels seen prior to the outbreak of Covid-19 and is expected to continue to recover. Steel production outside China, increased by 16% for the period from January to September 2021, compared to the same period last year, with the month of September showing an increase of 11% year over year. As various infrastructure spending initiatives are implemented it is expected that growth in steel demand in the rest of the world will overtake China. The World Steel Association estimates that global steel demand will grow by 4.5% this year, with China declining 1%. This increase in

steel demand is already leading to an increase in iron ore imports outside China, with year to date imports 23% higher than for the same period in 2020. Total exports of iron ore globally is up 2% year to date, compared to the same period in 2020.

Although coal is typically not transported on Newcastlemax vessels, our vessels compete with standard Capesize vessels that are frequently used to ship coal. The Capesize market overall has seen a strong increase in coal volumes this year, with year to date coal exports up 8% compared to the same period last year. The increase in coal consumption is driven by the ongoing energy crisis, where powerplants are seen switching from gas to coal as a consequence of high gas prices. Ton-mile demand for coal is also aided by the fact that China are refraining from buying Australian coal, leading them to source coal from the Atlantic, including US East Coast. The coal trade is expected to remain robust in the coming months as both China and India are entering winter season with lower than usual coal inventories at 14 and 4 days of consumption, respectively.

Growth in vessel supply will be moderate in 2021 relative to previous years with a Capesize orderbook of 18 million dwt, down from 25 million dwt delivered in 2020. The Capesize orderbook for 2022, 2023 and 2024 currently stands at 10.8 million dwt, 8.7 million dwt and 3.3 million dwt, respectively. The continued large influx of orders for container vessels has absorbed a significant part of the capacity for building large commercial vessels. Currently Chinese yards are believed to be marketing only 10-15 newbuilding slots for large drybulk vessels until the end of 2024. New ordering is expected to remain subdued due to lack of financing available from traditional lenders, as well as technological uncertainties as it relates to the optimal propulsion systems to meet the shipping industry's ambitions for decarbonization. During 2020, 50 Capesize vessels, totaling 11.6 million dwt were scrapped. So far in 2021, 22 Capesize vessels, totaling 5.2 million dwt have been scrapped.

### **Dry bulk fleet development**

The global dry bulk fleet stands at 938 million dwt as of October 1, 2021, up from 907 million dwt in October, 2020.

The current orderbook for dry bulk vessels currently stands at 6.5% of the existing fleet, down from 7.3% in October 2020.

26.9 million dwt have been ordered this year, compared to 15 million dwt ordered during the same period in 2020.

A total of 10 million dwt has been scrapped year to date, compared to 12.6 million dwt for the same period in 2020.

## **Impact of Covid-19**

Port restrictions, including immigration restrictions and quarantine measures related to Covid-19, continue to create challenges for crew changes on regular intervals. The Company estimates that operating expenses were negatively impacted by approximately US\$230 per day per vessel on average during the third quarter of 2021 due to increased costs related to travel, quarantines and testing of crews.

Additionally, the Company recorded approximately 6 days of off-hire in the third quarter due to vessels deviating from their optimal route in conjunction with crew changes. We expect to continue to incur higher than normal operating expenses as well as some off-hire related to crew changes for as long as Covid-19 continues to have an impact.

We continue to work closely with our technical managers to protect the safety and well-being of our crews while minimizing potential off-hire related to crew changes.

The Board continues to thank the dedicated seafarers aboard our vessels, many of whom continue to have their terms of service onboard extended due to logistical difficulties.

## **Bulk Shenzhen incident**

On August 2, 2021, Bulk Shenzhen was involved in a collision with the bulk carrier RB Lisa whilst navigating in laden condition under pilot inbound Yangtze River. No loss of life, personal injuries, pollution or other environmental damages was reported on either vessel. Following investigation and incident formalities, the vessel proceeded to discharge the remaining cargo onboard at Jiangyin, China, before proceeding for repairs at IMC Zhoushan shipyard.

The Bulk Shenzhen has adequate hull and machinery insurance, as well as off-hire insurance covering up to US\$35,000 per day after 14 days off-hire.

The Bulk Shenzhen was back on-hire on October 9. The total economic loss of the incident is estimated at US\$2.8 million, including insurance deductible, off-hire, as well as the difference between the US\$35,000 covered by off-hire insurance and the prevailing index rate.

## **Outlook**

2020 Bulkers has a robust financial structure with moderate financial leverage and a solid cash position. Our operating cash breakeven, which is estimated at approximately US\$14,500 per vessel per day for 2021, is significantly lower than the current FFA curve for the balance of 2021, which implies earnings of approximately US\$40,000 per day for a scrubber fitted Newcastlemax. The FFA curve for 2022 currently implies earnings of approximately US\$32,400 per day for a scrubber fitted Newcastlemax.

The Company will continue its strong capital discipline, and will remain focused on returning the majority of free cash flow to shareholders as monthly cash distributions.

## **Invitation to webcast and conference call Q3 2021 results**

2020 Bulkera Ltd. will release its financial results for the third quarter of 2021 on Wednesday, October 27, 2021. A conference call and webcast will be held at 3:00 PM CET. The earnings report and presentation will be available from the Investor Relations section on [www.2020bulkera.com](http://www.2020bulkera.com) on the same day.

In order to listen to the presentation, you may do one of the following:

Listen-only webcast (including the slide presentation): <https://edge.media-server.com/mmc/p/6gzqv847> or you can click the "Webcast" link on [www.2020bulkera.com/investor-relations/](http://www.2020bulkera.com/investor-relations/)

Telephone conference

Dial in details, Participants:

In the 10 minutes prior to call start time, please call the appropriate participant dial-in number and enter the Event Plus Passcode stated below. Please leave any information requested after the tone.

Event Plus Passcode: 8059325

Standard International: +44 (0) 2071 928338

Norway (local): ..... +47 21 56 30 15

Norway (toll free): ..... 800 568 65

UK (local): ..... +44 (0) 844 481 9752

UK (toll free): ..... 0800 279 6619

US (local): ..... +1646 741 3167

US (toll free): ..... 1877 870 9135

Participants will be asked for their full name & Conference ID.

There will be a Q&A session after the presentation.

## **Forward-Looking Statements**

This announcement includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions. The forward-looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although 2020 Bulkera Ltd. believes that these assumptions are reasonable, they are, by their nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control.

Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially from the expectations expressed or implied by the forward-looking statements included herein.

The information, opinions and forward-looking statements contained in this announcement speak only as of the date hereof and are subject to change without notice.

**About 2020 Bulkera Ltd.**

2020 Bulkera Ltd. is a limited liability company incorporated in Bermuda on 26 September 2017. The Company's shares are traded on Oslo Børs under the ticker "2020".

2020 Bulkera is an international owner and operator of large dry bulk vessels. The Company has eight Newcastlemax dry bulk vessels in operation.

October 27, 2021

Board of Directors

2020 Bulkera Ltd.

Hamilton, Bermuda

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