



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 988 306 428
Organisasjonsform: Aksjeselskap
Foretaksnavn: KLAVENESS SHIP HOLDING AS
Forretningsadresse: Drammensveien 260
0283 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2019 - 31.12.2019

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Lene Carlson Haug
Dato for fastsettelse av årsregnskapet: 30.03.2020

Grunnlag for avgivelse

År 2019: Årsregnskapet er elektronisk innlevert
År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 16.07.2021



Resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Kostnader			
Management fee	13	154 000	292 000
Other administrative services	2	72 000	142 000
Sum kostnader		226 000	434 000
Driftsresultat		-226 000	-434 000
Finansinntekter og finanskostnader			
Finance income	3	7 493 000	68 422 000
Sum finansinntekter		7 493 000	68 422 000
Finance cost	3	3 103 000	34 003 000
Sum finanskostnader		3 103 000	34 003 000
Netto finans		4 390 000	34 419 000
Ordinært resultat før skattekostnad		4 164 000	33 985 000
Income tax expenses	4	195 000	3 181 000
Ordinært resultat etter skattekostnad		3 969 000	30 804 000
Årsresultat		3 969 000	30 804 000
Minoritetsinteresser		0	0
Årsresultat etter minoritetsinteresser		3 969 000	30 804 000
Andre resultatkomponenter for IFRS-foretak		0	0
Totalresultat		3 969 000	30 804 000



Balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Deferred tax asset	4	0	0
Finansielle anleggsmidler			
Investering i datterselskap	5	223 084 000	202 081 000
Lån til foretak i samme konsern	6	0	95 496 000
Financial assets		1 438 000	0
Sum finansielle anleggsmidler		224 522 000	297 577 000
Sum anleggsmidler		224 522 000	297 577 000
Omløpsmidler			
Varer			
Fordringer			
Loan to related parties	6	38 196 000	0
Receivables from related parties	6	97 000	499 000
Other short-term receivables		0	5 000
Sum fordringer		38 293 000	504 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	1 834 000	583 000
Sum bankinnskudd, kontanter og lignende		1 834 000	583 000
Sum omløpsmidler		40 127 000	1 087 000
SUM EIENDELER		264 649 000	298 664 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	8	1 817 000	1 817 000



Balanse

Beløp i: USD	Note	2019	2018
Overkurs		7 068 000	7 068 000
Sum innskutt egenkapital		8 885 000	8 885 000
Opptjent egenkapital			
Other reserves		346 177 000	346 177 000
Retained earnings		-118 385 000	-107 343 000
Sum opptjent egenkapital		227 792 000	238 834 000
Sum egenkapital		236 677 000	247 719 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	18	0	34 217 000
Gjeld til kredittinstitusjoner	9	16 654 000	16 477 000
Sum annen langsiktig gjeld		16 654 000	50 694 000
Sum langsiktig gjeld		16 654 000	50 694 000
Kortsiktig gjeld			
Kortsiktig konserngjeld	6	11 088 000	0
Other current liabilities		231 000	251 000
Sum kortsiktig gjeld		11 319 000	251 000
Sum gjeld		27 973 000	50 945 000
SUM EGENKAPITAL OG GJELD		264 650 000	298 664 000



Konsernets resultatregnskap

Beløp i: USD	Note	2019	2018
RESULTATREGNSKAP			
Inntekter			
Freight revenue	2	130 768 000	84 284 000
Charter hire revenue	2	32 818 000	46 568 000
Voyage expenses	3	-75 194 000	-45 431 000
Sum inntekter		88 392 000	85 421 000
Kostnader			
Ordinary depreciation fixed assets	7	19 075 000	21 655 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	7	0	-5 000 000
Group administrative services	4	5 448 000	5 396 000
Operating expenses, vessels	3	51 368 000	39 308 000
Tonnage tax	6	229 000	180 000
Other operating expenses	4	2 257 000	451 000
Sum kostnader		78 377 000	61 990 000
Driftsresultat		10 015 000	23 431 000
Finansinntekter og finanskostnader			
Finance income	5	2 409 000	2 857 000
Sum finansinntekter		2 409 000	2 857 000
Finance cost	5	16 626 000	11 570 000
Sum finanskostnader		16 626 000	11 570 000
Netto finans		-14 217 000	-8 713 000
Ordinært resultat før skattekostnad		-4 202 000	14 718 000
Income tax expenses	6	195 000	3 181 000
Ordinært resultat etter skattekostnad		-4 397 000	11 537 000
Årsresultat		-4 397 000	11 537 000
Minoritetsinteresser		0	0
Årsresultat etter minoritetsinteresser		-4 397 000	11 537 000



Konsernets resultatregnskap

Beløp i: USD	Note	2019	2018
Net movement fair value on interest rate swaps (CCIRS)	11	-1 438 000	357 000
Reclassification to profit and loss (CCIRS)	11	1 347 000	0
Net movement fair value on interest rate swaps		-686 000	0
Net movement fair value FX hedger	11	38 000	-35 000
Net movement fair value bunker hedger	11	918 000	-918 000
Net movement fair value FFA hedge	11	85 000	970 000
Andre resultatkomponenter for IFRS-foretak		0	0
Andre resultatkomponenter for IFRS-foretak			0
Sum resultatkomponenter for IFRS-foretak		264 000	374 000
Totalresultat		-4 133 000	11 911 000
Overføringer og disponeringer			
Profit/loss for the year		-4 397 000	11 537 000
OCI		264 000	374 000
Sum overføringer og disponeringer		-4 133 000	11 911 000



Konsernets balanse

Beløp i: USD	Note	2019	2018
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels	7	430 523 000	281 533 000
Newbuilding contracts	8	62 316 000	59 877 000
Right of use assets		2 969 000	
Financial assets	11	1 077 000	1 860 000
Sum varige driftsmidler		496 885 000	343 270 000
Sum anleggsmidler		496 885 000	343 270 000
Omløpsmidler			
Varer			
Inventories	12	8 025 000	7 038 000
Sum varer		8 025 000	7 038 000
Fordringer			
Accounts receivable		8 752 000	7 303 000
Receivables, group companies	9	110 000	603 000
Prepaid expenses		1 856 000	2 139 000
Other short-term receivables	9	4 109 000	2 986 000
Financial assets	11	202 000	464 000
Sum fordringer		15 029 000	13 495 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	66 980 000	94 060 000
Sum bankinnskudd, kontanter og lignende		66 980 000	94 060 000
Sum omløpsmidler		90 034 000	114 593 000
SUM EIENDELER		586 919 000	457 863 000

BALANSE - EGENKAPITAL OG GJELD



Konsernets balanse

Beløp i: USD	Note	2019	2018
Egenkapital			
Innskutt egenkapital			
Share capital	19	1 817 000	1 817 000
Overkurs		6 939 000	6 939 000
Sum innskutt egenkapital		8 756 000	8 756 000
Opptjent egenkapital			
other reserves		177 000	-87 000
Retained earnings		175 086 000	190 365 000
Sum opptjent egenkapital		175 263 000	190 278 000
Minoritetsinteresser		100 746 000	67 539 000
Sum egenkapital		284 765 000	266 573 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6	0	0
Sum avsetninger for forpliktelser		0	0
Annen langsiktig gjeld			
Obligasjonslån	16	34 023 000	34 217 000
Gjeld til kredittinstitusjoner	11	29 823 000	17 845 000
Long-term lease obligation		2 248 000	
Mortgage debt	15	196 801 000	113 258 000
Sum annen langsiktig gjeld		262 895 000	165 320 000
Sum langsiktig gjeld		262 895 000	165 320 000
Kortsiktig gjeld			
Short-term debt	15	17 367 000	12 200 000
Short-term lease liabilities		683 000	
Other interest bearing liabilities	15	2 172 000	2 172 000
Tax payable	6	195 000	0
Accounts payable		7 954 000	4 032 000
Current debt to related parties		819 000	322 000
Tonnage tax payable	6	225 000	191 000
Other current liabilities	18	9 843 000	7 054 000



Konsernets balanse

Beløp i: USD	Note	2019	2018
Sum kortsiktig gjeld		39 258 000	25 971 000
 Sum gjeld		 302 153 000	 191 291 000
 SUM EGENKAPITAL OG GJELD		 586 918 000	 457 864 000



**Torvald
Klaveness**

Klaveness Ship Holding AS

FINANCIAL STATEMENT 31. DECEMBER 2019



KLAVENESS SHIP HOLDING AS CONSOLIDATED

Board of Directors' report 2019

Klaveness Ship Holding AS ("KSH" or the "Company") was established 31 May 2005 and is fully owned by Rederiaksjeselskapet Torvald Klaveness. Klaveness Ship Holding AS is located in Oslo, Norway, and is the holding company of the shipowning activities in Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statement of the Company as at year end 31 December 2019 comprises the Company and its subsidiaries.

2019 HIGHLIGHTS

Health, safety and environment are priority number one in Klaveness and to the Board's satisfaction there were no major incidents in 2019.

Klaveness Combination Carriers ASA (KCC) continued to expand its business in 2019. The company was listed on Oslo Axess in May 2019, it took delivery of three next generation combination carriers, the CLEANBUs, and declared additional two CLEANBU newbuild options. Klaveness is today the largest shareholder of KCC holding 53.8% of the shares. The newbuilding program now consists of five combination carriers with expected delivery in 2020 and 2021. The fleet at year end 2019 consists of 8 container feeder vessels and 12 combination carriers on the water in addition to the newbuildings.

The Group achieved an EBITDA of USD 29.1 million in 2019 (2018: USD 40.1 million) and a profit before tax (EBT) of negative USD 4.2 million (2018: USD 14.7 million). Cash flow from operations for 2019 was USD 31.9 million (2018: USD 36.4 million). The balance sheet remains solid with a book equity including non-controlling interest of USD 284.8 million at year-end corresponding to an equity ratio of 49 per cent (2018: 58 per cent). High solidity and good liquidity were maintained in 2019.

NET RESULT AND FINANCIAL POSITION CONSOLIDATED ACCOUNTS

For the full year 2019 total net revenues from operations of vessels was USD 88.4 million (2018: USD 85.4 million) and total operating costs amounted to USD 75.2 million (2018: USD 45.3 million). EBITDA was USD 29.1 million for 2019, down from an EBITDA of USD 40.1 million for 2018 mainly due to more idle days for the container fleet, less optimal trading pattern for the combination carriers phase-in of a new vessel segment, the CLEANBUs.

Profit before tax was negative USD 4.2 million in 2019 (2018: USD 14.7 million). Net result from financial items was negative by USD 14.2 million in 2019 (2018: negative USD 8.7). This is due to increased interest expenses on the mortgage debt and non-cash mark-to-market on financial derivatives.

Net profit after tax ended at negative USD 4.4 million for 2019. For 2018 the profit was USD 11.5 million. USD 0.3 million of the result (2018: USD 2.6 million) is attributable to non-controlling interests.

Total assets increased by USD 129.1 million in 2019 from USD 457.9 million at year end 2018 to USD 586.9 million. Main impacts come from drawdown on debt related to delivery of newbuilds and capital increase from non-controlling interests.

At year-end 2019, the consolidated equity including minority interests was USD 284.8 million (2018: USD 266.6 million), corresponding to a book equity ratio of 49 per cent (2018: 58 per cent). Book equity excluding minority interests was USD 184.0 million. Total equity increased by USD 18.2 million in 2019 due to total comprehensive income of negative USD 4.1 million, payments to non-controlling interests of USD 1.6 million, group



contribution/dividends of in total USD 15.0 million and net capital increase in non-controlling interests of USD 38.7 million. Cash and bank deposits were USD 67.0 million.

During 2019, the Group had a positive cash flow from operating activities of USD 31.9 million (2018: USD 36.4 million). Net cash flow from Investments amounts to negative USD 170.1 million (2018: negative USD 27.3 million), mainly consisting of payments for vessels under construction and dry docking costs. The cash flow from financing activities was positive USD 111.2 million (2018: negative USD 27.3 million) and is mainly net cash from capital increase of USD 38.7 million, net inflows of USD 103.6 million from refinancing of debt and ordinary installments on mortgage debt in addition to paid group contribution of USD 15.0 million.

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Klavness Ship Holding including subsidiaries at year-end to be solid. The Company is closely following the development related to the COVID-19 outbreak and takes precautionary measures, preserves cash and assesses all potential risks. As of the date of this report, the direct business effects are limited. However, indirect consequences may occur as a result of lower activity in shipping markets going forward. The COVID-19 outbreak has resulted in significant macroeconomic uncertainty. The duration and scale remain uncertain, but could have material impact on earnings and cash flow. However, it is not possible to quantify such effects for the time being.

NET RESULT AND FINANCIAL POSITION STATUTORY ACCOUNTS

Operating result of the standalone financial statements of the parent company Klavness Ship Holding AS consists of administrative expenses of USD 0.2 million (2018: USD 0.4 million). The financial result in 2019 consists mainly of income from interest income of USD 3.6 million (2018: USD 6.7 million), income from investments in subsidiaries of USD 2.2 million (2018: USD 59.7 million) and other financial expenses of USD 1.6 million (2018: USD 0.0 million). The net result from financial items was in total positive by USD 4.4 million in 2019 (2018: USD 34.4 million).

Net result for the year is USD 4.0 million (2018: USD 30.8 million), including tax expense of USD 0.2. Klavness Ship Holding AS statutory balance sheet has decreased by USD 34.0 million from 2018 to 2019, mainly due to the transfer of the bond loan from Klavness Ship Holding AS to Klavness Combination Carriers ASA and a reduction in the loan to Klavness Container AS.

Net operating cash flow from the parent company was negative USD 1.6 million in 2019 (2018: USD 0.8 million). Net cash flow from investing activities was USD 1.2 million in 2019 (2018: USD 10.3 million). Net cash flow from financing activities amounted to USD 1.7 million (2018: negative USD 11.2 million) and mainly consists of loan from related parties and group contribution/dividends.

THE MARKETS

Earnings for the combination carriers are driven by the dry bulk, tanker and fuel markets. The main competition for the vessels comes from standard MR-and LR-tankers and panamax/kamsarmax dry bulk vessels. Hence earnings from the combination carriers are impacted by the market development in these dry bulk and product tanker segments. Due to the vessels' efficient combination trading pattern with minimal ballast, earnings from the combination carriers are also positively impacted by increased fuel costs. These three markets, the product tanker market, the dry bulk market and the bunkers market, have moved in different directions in 2019.

Dry bulk freight rates were very volatile in 2019 but ended on average largely unchanged from 2018. According to the Baltic exchange, Capesize freight rates averaged 17,836 USD/day during 2019 (+1,406 USD/day year on year) while Panamax and Supramax freight rates averaged 12,429 USD/day (-579 USD/day) and 9,884 USD/day (-1,558) respectively. According to Clarksons the value of a second-hand dry bulk vessel decreased with 6% year-on-year, while the newbuild prices decreased 2%. Global dry bulk demand growth slowed from +2.6% in 2018 to +1.1% in 2019. The nominal growth in the dry bulk fleet increased from 2.1% in 2018 to 3.0% in 2019. However, effective fleet growth was lower at 1.9% as about 1.1% of the fleet was occupied with scrubber installations.



The product tanker market saw a steady increase in rates throughout 2019. The LR1 1-year time ended the year at around 19,000 USD/day, coming from levels around 13,000 USD/day over the previous two years. The LR2 tankers saw the same development, with an even stronger push in fourth quarter, mainly driven by the strong development in the dirty tanker sector due to the COSCO sanctions situation in October and on the back of a fundamental more positive undertone in the market with a reduced orderbook and capacity reduction from scrubber installations.

In terms of traded clean petroleum product (CPP) volumes, Australia is stabilizing in terms of growth in the years after the refinery closures and looks to be around 2% year-on-year import growth and importing around 26Mmts CPP, distributed between diesel, jet fuel and gasoline. The Persian Gulf region was competitive over 2019, creating interesting trades from this region into markets such as East Coast South America and Australia. In addition, Chinese CPP export quotas increased, being very interesting for the CLEANBU vessels as China is importing 50% of the worlds dry bulk commodities.

For the combination carriers' trading regions, clean petroleum product volumes have been quite stable over the last years.

Rates in the feeder containership sector remained flat for most of 2019, with a slight firming towards the end of the year. Weak economic growth and continued trade tensions between China and the US put a lid on transported volumes, resulting in a global demand growth of only 1.7% year-on-year. In comparison, the containership fleet capacity grew by about 3.7%, driven largely by continued deliveries of very large vessels. The share of the total container fleet being idle rose through the year, from about 2.5% to 5.9%. About two thirds of the idle vessels at the end of the year were removed from trading for scrubber installations. At year-end 2019, the short period time charter rates for a standard 2,500 TEU containership stood at about 10,150 USD/day.

The second-hand containership market moderated in terms of numbers of ships sold. Mainly larger vessels changed hands. There was a wealth of feeder tonnage for sale, but little buying interest. Prices strengthened in the Panamax segment and for larger sizes, but generally weakened for feeders. Ordering of newbuilds slowed and the tonnage on order equals around 10% of the existing fleet, the lowest ratio on record, and skewed towards large tonnage.

BUSINESS SEGMENTS

By the end of 2019 the fleet consisted of 12 combination carriers and eight container vessels. In addition, the Group has five combination carriers under construction.

Combination carriers

Following the consolidation of the combination carrier activities in Klaveness Combination Carriers ASA in 2018, the company was listed on Oslo Axess in May 2019. Torvald Klaveness is the controlling owner with a shareholding of 53.8%. In relation to the listing, KCC raised USD 387 million in equity and declared additional two CLEANBU newbuild options with estimated delivery in first quarter 2021.

By year-end 2019, the fleet consisted of nine CABU vessels and three CLEANBU vessels on water and five CLEANBU vessels under construction at Jiangsu New Yangzi Shipbuilding Co., Ltd. in China. The first CLEANBU vessel, MV Baru, was delivered 10 January 2019, MV Barracuda was delivered in July 2019 and MV Barramundi in September 2019. KCC has five individual fixed price options with expiry in the period between May 2020 and January 2021 with scheduled delivery in the period November 2021 to November 2022.

The CABU vessels are combination carriers transporting mainly caustic soda solution and all types of dry cargo, mainly in the Far East, the Middle East, Australia, Brazil and North America. The CLEANBU vessels can in addition transport clean petroleum products, giving them a wider range of trading possibilities.

The CABU vessels were largely employed in combination trades with shipments of caustic soda for customers in the Australian and Brazilian alumina industry and dry bulk return shipments with alumina, bauxite, salt, iron ore



and coal. While caustic soda shipments were mainly based on contracts of affreightment, dry cargoes were partly spot and partly contract shipments.

One CABU vessel completed periodic drydocking in early October with installation of ballast water treatment system (BWTS). One additional CABU vessel completed periodic drydocking in July 2019. Four CABU vessels are scheduled to go through periodic drydocking in 2020. The drydockings might be slightly postponed due to the global COVID-19 situation.

All vessels switched to low sulphur fuel (VLSFO) and were in compliance with the IMO2020 sulphur cap regulation well before the 1 January 2020 deadline. Except for some delivery delays, KCC has not had problems securing the necessary VLSFO for its fleet after implementation of the IMO2020 regulation. Main engine problems due to burning VLSFO is representing a new risk for KCC's fleet. KCC's vessels are mitigating this risk by making frequent tests to calibrate lubrication to the new fuel characteristics in close collaboration with main engine makers.

The delivery of the next CLEANBU vessels will be delayed due to the COVID-19 virus. The shipyard declared a force majeure situation for delays caused by the virus, however activity at the shipyard has started to resume. As of the date of this report, the supervision team is not complete due to the COVID-19 outbreak in Europe and in the Philippines. Delivery will hence be further delayed and there are still large uncertainties related to when the vessels will be delivered. Agreements have been made with the shipyard to postpone delivery of the next CLEANBU newbuild until the end of June and the four subsequent CLEANBU newbuilds will likely be delayed by one-two months from the contractual delivery dates in August 2020-February 2021.

Container

Through 2019, Klaveness owned and operated a fleet of eight geared container vessels in the feeder segment (1,700 TEU - 3,100 TEU). All vessels were employed on short term time charter contracts to liner companies throughout the year. The average charter rates in the feeder sector remained flat for the first three quarters of the year and rose by 10% during the fourth quarter. The six modern "Eco-Flex" vessels of 2,536 TEU continued to obtain fuel efficiency premiums. Five of the company's eight vessels went through planned dry dockings and special surveys in 2019. Idle days increased in 2019 compared to 2018, mainly related to finding new employment after the dockings.

RISK AND RISK MANAGEMENT

The Group's business is exposed to risks in many areas. Risk management are performed by the management and through services rendered from the affiliated companies, Klaveness AS and Klaveness Ship Management AS. Risk assessment, monitoring and implementation of mitigating actions are a part of daily activities and on a quarterly basis the Board will be presented with a risk assessment report. It is important for the Board of Directors that the right risk reward assessment is made and that internal control routines are good.

Market risk

Market risks in the shipping markets relate primarily to changes in freight rates, fuel prices, vessel values and counterparty credit risk. These risks are monitored and managed according to procedures and mandates decided by the Board and to ensure a high probability that capital and liquidity are sufficient to cover losses. Fuel price risk is partly hedged through bunker adjustment factor clauses (BAFs) and fuel derivative and dry bulk market exposure is partly hedged through freight forward agreements (FFA).

Commercial risk

The Group is exposed to commercial risks, particularly on customer acceptance of its fleet of combination carriers. KCC makes extensive efforts to secure vetting acceptance of existing vessels and works closely with customers to document that new vessel concepts meet all their requirements. There is risk associated with increased competition and dependence on a limited number of key customers, which is mitigated through strong operational performance and continuous development of rendered services.

Financial risks



A large part of the Group's costs and income are USD denominated, hence the currency exposure is limited. Interest rate exposure is hedged through swaps and open exposure is limited.

There were no major unforeseen events of a financial nature during 2019. The liquidity risk of the Group is considered acceptable. Equity financing is in place for all newbuilds on order and bank financing has been secured for the three newbuilds with delivery in 2020, and indicative terms have been received for bank debt related to the two newbuilding with delivery in 2021. Current cash, available undrawn credit, bank financing for the two last newbuilds with delivery in 2021 which is under negotiation and projected operating cash flow are considered sufficient to cover the Group's commitments.

Operational risks

Operational risks are managed through quality assurance, control processes and training of seafarers and hired-in land-based employees. All employees in the affiliated companies attend in-house training to ensure compliance with applicable legislation and Klaveness Code of Conduct. The organization is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

The vessels sail in waters exposed to piracy. All vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks.

At the end of 2019, the Group had five newbuilds on order. Dedicated on-site personnel supervise the building processes. There is performance risk associated with the newbuilds. Tier one Chinese banks provide refund guarantees and the yard itself is considered to be financially strong.

Environmental risks

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the Group to liability without regard to whether the Group was negligent or at fault. Additionally, the Group cannot predict the cost of compliance with any new environmental protection and other laws and regulations that may become effective in the future. Quality is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the utmost regard for the safety of employees, the public and the environment, in accordance with sound business practice and in compliance with environmental regulations.

Regulatory risks

Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of the Group could have material impact on the business. To limit this exposure, procedures have been implemented to comply with all applicable environmental regulations and sanctions legislation, and all counterparties go through a due diligence check.

COVID-19

The Company is monitoring the development of the COVID-19 virus outbreak and is continuously assessing current and potential impact on employees, crew and operations. The Company takes precautionary measures and assesses all potential risks. As of the date of this report, the direct effects on the business are limited. However, indirect consequences may occur as a result of lower global activity and significant macroeconomic uncertainty. The duration and scale remains uncertain, but could have material impact on earnings and cash flow. However, it is not possible to quantify such effects for the time being.

THE PARENT COMPANY

The result for the parent company was a profit after tax of USD 4.0 million. The profit is proposed transferred to other equity.

There are no employees in the Group, hence no actions were planned or implemented to promote equality or prevent discrimination. The board consists of four men.

The consolidated and parent accounts are prepared under the assumption of going concern. Nothing has occurred after the balance date, which may significantly influence the result or the balance sheet. The Board of



Directors finds that the accounts represent a true and fair view of the company's equity and debt, financial position and result.

The Board of Directors in Klaveness Ship Holding AS

Oslo, 31 December 2019
Oslo, 30 March 2020

Lasse Kristoffersen
Chairman of the Board

Martin Prokosch
Board Member

Ernst André Meyer
Board Member

Morten Skedsmo
Managing Director

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Klaveness Ship Holding AS

Consolidated Income Statement

Year ended 31 December			
USD '000	Note	2019	2018
Continuing operations			
Freight revenue		130 768	84 284
Charter hire revenue		32 818	46 568
Total operating revenue	Note 2	163 586	130 852
Voyage expenses	Note 3	(75 194)	(45 431)
Net revenues from operations of vessels		88 392	85 421
Operating expenses, vessels	Note 3	(51 368)	(39 308)
Group administrative services	Note 4	(5 448)	(5 396)
Tonnage tax	Note 6	(229)	(180)
Other operating and administrative expenses	Note 4	(2 257)	(451)
EBITDA		29 090	40 085
Ordinary depreciation	Note 7	(19 075)	(21 655)
Impairment loss (-) / reversal	Note 7	-	5 000
EBIT		10 015	23 430
Finance income	Note 5	2 409	2 857
Finance costs	Note 5	(16 626)	(11 570)
Profit before tax		(4 201)	14 718
Income tax expenses	Note 6	(195)	(3 181)
Profit for the year		(4 396)	11 537
Attributable to:			
Equity holders of the parent company		(4 668)	8 916
Non-controlling interests		272	2 621
Total		(4 396)	11 537



Klaveness Ship Holding AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2019	2018
Net profit/ (loss)		(4 396)	11 537
<i>Other comprehensive income to be reclassified to profit or loss</i>			
Net movement fair value on interest rate swaps (CCIRS)	Note 11	(1 438)	357
Reclassification to profit and loss (CCIRS)		1 347	-
Net movement fair value on interest rate swaps		(686)	-
Net movement fair value FX hedge	Note 11	38	(35)
Net movement fair value bunker hedge	Note 11	918	(918)
Net movement fair value FFA hedge	Note 11	85	970
Net other comprehensive income to be reclassified to profit or loss		264	374
<i>Other comprehensive income not to be reclassified to profit or loss</i>			
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		264	374
Total comprehensive income/(loss) for the period, net of tax		(4 132)	11 911
Attributable to:			
Equity holders of the parent company		(4 404)	8 794
Non-controlling interests		272	3 118
Total		(4 132)	11 911



Klaveness Ship Holding AS

Consolidated Statement of Financial Position

As at 31 December

USD '000	Note	2019	2018
ASSETS			
Non-current assets			
Vessels	Note 7	430 523	281 533
Newbuilding contracts	Note 8	62 316	59 877
Right of use assets		2 969	-
Financial assets	Note 11	1 077	1 860
Total non-current assets		496 885	343 270
Current assets			
Financial assets	Note 11	202	464
Inventories	Note 12	8 025	7 038
Accounts receivable		8 754	7 303
Receivables from related parties	Note 9	110	603
Prepaid expenses		1 856	2 139
Other short-term receivables	Note 9	4 109	2 986
Cash and cash equivalents	Note 10	66 980	94 060
Total current assets		90 034	114 593
TOTAL ASSETS		586 919	457 863



Klaveness Ship Holding AS

Consolidated Statement of Financial Position

		As at 31 December	
USD '000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 19	1 817	1 817
Share premium		6 939	6 939
Other reserves		177	(87)
Retained earnings		175 086	190 365
FINANCIAL STATEMENT 31. DECEMBER 2019		184 019	199 034
Non-controlling interests		100 746	67 539
Total equity		284 765	266 573
Non-current liabilities			
Mortgage debt	Note 15	196 801	113 258
Bond loans	Note 16	34 023	34 217
Financial liabilities	Note 11	29 823	17 845
Long-term lease obligation		2 248	
Deferred tax	Note 6	-	0
Total non-current liabilities		262 895	165 320
Current liabilities			
Short-term debt	Note 15	17 367	12 200
Short-term lease liabilities		683	-
Other interest bearing liabilities	Note 15	2 172	2 172
Accounts payable		7 954	4 032
Current debt to related parties		819	322
Tax payable	Note 6	195	-
Tonnage tax payable	Note 6	225	191
Other current liabilities	Note 18	9 843	7 054
Total current liabilities		39 257	25 971
TOTAL EQUITY AND LIABILITIES		586 919	457 863

Oslo, 31 December 2019

Oslo, 30 March 2020

Lasse Kristoffersen
Chairman of the BoardMartin Prokosch
Board memberErnst André Meyer
Board memberMorten Skedsmo
Managing Director



Klaveness Ship Holding AS

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						Non-controlling interests	
	Share capital	Share premium	Other paid in capital	Hedging reserve	Retained earnings	Total	Total equity	
Equity at 1 January 2018	1 817	6 939	-	35	182 282	191 073	22 086	213 159
Profit (loss) for the year					8 916	8 916	2 621	11 537
Other comprehensive income for the year				(122)		(122)	497	374
Total comprehensive income for the year				(122)	8 916	8 794	3 118	11 911
Payments to non-controlling interests					-	-	(495)	(495)
Group contribution					(10 185)	(10 185)	-	(10 185)
Acquisition of non-controlling interest (April 25, 2018)					(260)	(260)	(363)	(623)
Capital increase (April 30, 2018)					-	-	12 000	12 000
Capital increase (October 10, 2018)							41 387	41 387
Reallocation from non-controlling interests					11 047	11 047	(11 047)	0
Transaction costs					(581)	(581)	-	(581)
Impact of majority participation in increase					(854)	(854)	854	0
Equity at 31 December 2018	1 817	6 939	-	(87)	190 365	199 034	67 539	266 574
Profit (loss) for the year					(4 668)	(4 668)	272	(4 396)
Other comprehensive income for the year				264		264	0	264
Total comprehensive income for the year				264	(4 668)	(4 404)	272	(4 132)
Dividends to non-controlling interests					-	-	(1 638)	(1 638)
Group contribution					(5 010)	(5 010)	-	(5 010)
Dividends					(10 000)	(10 000)	-	(10 000)
Capital increase (May 20, 2019)							39 756	39 756
Transaction costs					0	0	(1 010)	(1 010)
Reallocation from non-controlling interests					4 174	4 174	(4 174)	-
Other changes					225	225		225
Equity at 31 December 2019	1 817	6 939	-	177	175 086	184 019	100 746	284 765

In May 2019 a private placement of common shares of USD 40.0 million (less transaction costs of USD 2.2 million) was completed in the subsidiary Klaveness Combination Carriers which was listed on Oslo Access. The parent company subscribed shares of in total USD 1.0 million. Equity of USD 38.8 million was injected from non-controlling interests.

Hedging reserve

The reserve contains total net changes in the fair value of financial instruments recognized to fair value with changes through OCI.



Klaveness Ship Holding AS

Consolidated Statement of Cash Flows

USD *000	Note	2019	2018
Profit before tax from continuing operations		(4 201)	14 718
Tonnage tax expensed		244	180
Revenue hold back agreement, non cash effect		-	(675)
Ordinary depreciation	Note 7	19 075	21 655
Impairment loss/ reversal	Note 7	-	(5 000)
Amortization of upfront fees bank loans		571	529
Financial derivatives unrealised loss/gain		2 297	445
Gain/loss on foreign exchange		(1 341)	(1 811)
Interest income	Note 5	(2 001)	(1 017)
Interest expenses	Note 5	12 590	9 703
Taxes paid for the period		(191)	(183)
Change in receivables		(3 060)	(1 136)
Change in current liabilities		995	(1 091)
Change in other working capital		4 924	(980)
Interest received		2 001	1 017
A: Net cash flow from operating activities		31 901	36 353
Acquisition of tangible assets	Note 7	(11 863)	(6 037)
Installments and cost on newbuilding contracts	Note 8	(158 285)	(22 126)
Acquisition of subsidiaries, net of cash		-	863
B: Net cash flow from investing activities		(170 148)	(27 301)
Proceeds from mortgage debt		116 634	15 000
Transaction costs on issuance of loans		(1 962)	-
Repayment of mortgage debt		(13 013)	(19 528)
Interest paid		(12 590)	(9 703)
Capital increase		-	12 000
Cash proceeds from issuing of shares non-controlling interests		39 756	41 386
Transaction costs on capital increase		(1 010)	(581)
Acquisition of non-controlling interests		-	(622)
Group contribution/dividend		(15 010)	(10 185)
Dividends to non-controlling interests		(1 638)	(495)
C: Net cash flow from financing activities		111 168	27 272
Net change in liquidity in the period (A + B + C)		(27 079)	36 324
Net foreign exchange difference		-	(84)
		(27 079)	36 241
Cash and cash equivalents at beginning of period		91 888	55 648
Cash and cash equivalents at end of period	Note 10	64 808	91 888
Net change in cash and cash equivalents in the period		(27 079)	36 241

* Cash and cash equivalents as per 31 December 2019 includes drawn amount on overdraft facility of USD 1.8 million. Undrawn amount on the overdraft facility is USD 8.2 million.



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

CORPORATE INFORMATION

Klaveness Ship Holding AS ("parent company"/KSH) is a private limited company domiciled and incorporated in Norway. The parent company has headquarter and is registered in Drammensveien 260, 0283 Oslo. The parent company's consolidated accounts for the fiscal year 2019 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

The ultimate parent of the company is Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statements for the ultimate parent is available at www.klaveness.com.

The consolidated financial statements for Klaveness Ship Holding AS for the fiscal year 2019 are approved in the board meeting on 30 March 2020.

The Group activities are described in note 3.

BASIS OF PREPARATION

The consolidated financial statements of the Group and the financial statements for the parent company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

The consolidated financial statements are based on historical cost, except for derivative financial instruments which are measured at fair value.

FOREIGN CURRENCY TRANSACTIONS

The presentation currency for the Group is US Dollar (USD). The Group companies, including the parent company, have USD as their functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of

each entity are measured using that functional currency.

Transactions in foreign currencies are recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the functional currency rate prevailing at the balance sheet date. Exchange differences arising from translations into functional currency are recorded in the income statement.

Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the functional currency using the historical exchange rate. Non-monetary assets and liabilities recognized at fair value are translated using the exchange rate on the date of the determination of the fair value.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was USD/NOK 8.8025 in 2019 (2018: 8.1347). At 31 December 2019 an exchange rate of USD/NOK 8.8176 (2018: 8.6911) was used for the valuation of balance sheet items.

CONSOLIDATION POLICIES

Subsidiaries

The Group's consolidated financial statements comprise Klaveness Ship Holding AS (KSH) and companies in which KSH has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements are capable of exercising control over the company. Non-controlling interests are included in the Group's equity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and consolidation is continued until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting principles for



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

similar transactions and events under otherwise similar circumstances.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Gains or losses on disposals of shares in subsidiaries to non-controlling interests are also recorded in equity.

If the Group loses control of a subsidiary during the reporting period, the assets and liabilities of the former subsidiary is derecognized from the consolidated accounts and recognized as an investment at fair value in accordance with relevant IFRSs. The carrying amounts of any non-controlling interests are also derecognized. Gains or losses associated with the loss of control is recognized in profit and loss.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparing financial statements in conformity with IFRS requires the management to make judgments, use of estimates and assumptions which affect the application of the accounting policies and the reported amounts of assets and liabilities, revenues and expenses.

The estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Group's and parent company's control. Uncertainty about these assumptions and estimates could result

in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Changes in accounting estimates are recognized in the period the changes occur. When changes to estimates also affect future periods the effect is distributed between the current and future periods.

Significant estimates and assumptions

Management has made estimates and assumptions which have significant effect on the amounts recognized in the financial statements. In general, accounting estimates are considered significant if:

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on Klaveness Ship Holding's financial position

Carrying amount of vessels, depreciation and impairment

In addition to the purchase price, the carrying amount of vessels is based on management's assumptions of useful life. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices.

When value in use calculations are performed, management estimates the expected future cash flows from the assets or cash-generating unit (defined in the section of "judgments") and determine a suitable discount rate in order to calculate the present value of those cash flows. This will be based on management's evaluations, including estimating future performance, revenue generating capacity, and assumptions of future market conditions and appropriate discount rates. Changes in circumstances and management's evaluation and assumptions



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

may give rise to impairment losses. While management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the evaluations.

On a quarterly basis, management assesses indicators of impairment for non-financial assets and whether the assumptions in the value in use calculations are reasonable. Recoverable amount is set as the highest of fair value less cost to sell and value in use. Average broker values are used to estimate fair value less cost to sell. If carrying value exceeds the estimated recoverable amount, impairment is recognized. Impairments are reversed in a later period if recoverable amount exceeds carrying amount.

The recognition of deferred tax assets

Deferred tax assets are only recognized if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. The assessment also includes possible group contribution from related companies within the ultimate group; Rederiaksjeselskapet Torvald Klaveness. If the Group has loss carried forward in any subsidiaries, these deferred tax assets are recognized only if there are convincing evidence that adequate taxable profit will be available in the future against which losses can be utilized. See note 6 for further information.

Judgments

In the process of applying Klaveness Ship Holding's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements.

Impairment

The Group operates combination carrier vessels that can switch between dry and wet cargo. The CABUs have the same characteristics in respect of what cargo to transport, number of cargo holds and size of

the vessel. All the CLEANBUs are identical vessels with same characteristics. CLEANBU vessels have higher capacity than the CABUs, and can in addition transport other types of wet commodities. All the CABU vessels are interchangeable, same for all the CLEANBU vessels. Investment, continuance and disposal decisions are made by class of vessels. The CABU and CLEANBU vessels are operated by KCC Chartering. Contracts (CoA's) are not negotiated based on a specific vessel. It is the sum of vessel capacity at any time that determines the optimization of voyages. A portion of the voyages are also executed in the spot market, and the charterers are dependent on operating the vessels as a portfolio according to free capacity and available cargos. The Group has defined the fleet of CABU and the fleet of CLEANBU, each as one cash generating units ("CGU"), due to the Group's operational strategy to manage each fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings of the entire Group.

For container vessels the Group has defined that each vessel is a separate CGU as the cash flows from these vessels can be separated on an individual level.

SEGMENT REPORTING

The operating segment are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker, who is responsible for allocating resources, making strategic decisions and assessing performance. The chief operating decision-maker has been identified as the board of the company.

The first CPP voyage for the first delivered CLEANBU, MV Baru, was completed in the second quarter of 2019. The reporting of the combination carriers results has from the second quarter 2019 changed to focus more on CABU and CLEANBUs as two segments, to better follow up on the performance of the different vessels concepts. The Group identifies and reports its segments based on information provided to the Management and



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

the Board of Directors. Resources are allocated and decisions are made based on this information.

Segment reporting includes financials for the two segments from delivery of the first CLEANBU vessel 10 January 2019. In 2018, the Group had only one segment and information on segment performance is found for the combination carriers segment and thus is equal to the Income Statement, Statement of Financial Position and Cash flow statement.

The internal financial reports are structured into three reporting segments with similar characteristics i) Combination Carriers ii) Container vessels iii) Other/administration.

The Group does not consider the domicile of its customers as a relevant decision making guideline and hence does not consider it meaningful to allocate vessels and related income to specific geographical locations.

EMPLOYEE SHARE OPTIONS SCHEME

Employee share options are calculated at fair value at the time they are granted and charged to expense over the vesting period as payroll cost with a corresponding increase in equity. The market value of the employee share options are estimated based on the Black-Scholes-Merton model.

REVENUE RECOGNITION

The Group is in the business of transporting cargo by sea.

Contracts of affreightments

The combination carriers are employed on both long and short term contracts of affreightments (COAs) as well as in the spot market. The Company's intention is to own tonnage which will be operated mainly under COAs in the wet product market and on a higher degree of spot in the dry bulk market, in order to give the COA customers a high degree of flexibility. In addition, the mix of COAs and spot creates a high degree of flexibility in optimizing the trading of the fleet.

The COA contracts have duration between 1-3 years. Revenue from the Group's COA commitments are classified as freight revenue in the income statement.

Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that the performance obligation under a voyage charter is satisfied over time, and begins from the point at which cargo is loaded until the point at which a cargo is discharged at the destination port.

Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

Time-charter agreements

The time charter revenue is generated from fixed rate time charter contracts. Revenue from time charters are accounted for as lease in accordance with IFRS 16 and is classified as charter hire revenue in the income statement. The Group's time charter contracts have a duration of 1-3 months and a significant portion of the risks and rewards of ownership are retained by the lessor (KCC), hence the lease is classified as operating lease. Payments received under operating leases are recognised as revenue on a straight line basis over the lease term.

Prior to acquisition of KCC Chartering AS (KCCC) (March 2018), revenue was distributed to the Group as charter hire from KCCC (classified as charter hire revenue) recognized in accordance with revenue recognition in KCC Chartering which is based on discharge-to-discharge basis (percentage of completion method). Charter revenue from KCCC has been recognized over time based on obtained charter day rate. Subsequent to the acquisition of KCCC, charter hire revenue has been eliminated in the consolidated financial statements of the Group, and from this date, the Group's revenue is reported on a gross basis and is split in gross revenue and voyage expenses.



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

Performance obligations

IFRS 15 also requires the Group for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent that the contract covers more than one performance obligation, determine whether revenue should be recognised over time or at a point in time and recognise revenue when or as performance obligations are recognised. The Groups' voyage charters and TC contracts qualify for recognition over time. The nature of the Group's revenues from TC contracts with its customers is categorised in two groups, the leasing element of the vessel and the service element related to the leased vessel.

Expenses between discharge and load are deferred and amortized over the voyage to the extent it qualifies as cost to fulfil under IFRS 15.

VOYAGE AND OPERATING EXPENSES

Prior to the acquisition of the charter company, freight revenue and voyage costs were distributed to the Group as charter hire. After acquisition of KCC Chartering, voyage expenses in the income statement include bunkers cost, port costs and other voyage related expenses.

Vessel operating expenses include crew costs, repairs and maintenance, insurance, stores, lubricant oils and management fees. When the vessel is off hire, vessel operating expenses are mainly for owners account. Voyage and operating expenses are recognized when incurred.

INCOME TAX

All the companies within the Group, with the exception of Klaveness Ship Holding AS (parent company), Klaveness Cement Logistics AB (KCL AB) and Klaveness Bulk AS (KBA), are organized in compliance with the Norwegian

tonnage tax regime ("NTT"). KSH and KCL AB are subject to ordinary taxation. Company tax in Norway is 22 % (23 % in 2018). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction. Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

The NTT entails no tax on operating profits or tax on dividends from companies within the scheme. Net financials, allowed for some special regulations, are taxed on an ongoing basis, currently at a rate of 22 %. A tonnage fee is charged per vessel depending on the size of the vessel owned or leased by companies taxed under the NTT. This tonnage tax is classified as an operating cost.

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 % (23 %) on the basis of temporary differences between tax and accounting values of assets and liabilities that exist at the balance sheet date. Deferred taxes are recognized using the liability method in accordance with IAS 12. Deferred tax is only calculated for assets and liabilities for which future realization will lead to tax payable.

Deferred tax liabilities/deferred tax assets within the same tax system that can be offset are recorded on a net basis. Income tax relating to items recognized directly in equity is included directly in equity and not in the statement of income.

VESSELS, NEWBUILDINGS AND DOCKING

Non-current assets such as vessels, the cost of dry-docking and newbuildings are carried at cost less accumulated depreciation and impairment charges. Cost is defined as directly attributable cost plus borrowing cost during the construction period.



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

Depreciation of vessels

Depreciation is calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Useful life is estimated to be 25 years for the Group's fleet. Certain capitalized elements like costs related to periodic maintenance/dry-docking have shorter estimated useful lives and are depreciated until the next planned dry-docking, typically over a three to five years period. When newbuildings are delivered a portion of the cost is classified as dry docking.

Costs of day-to-day servicing, maintenance and repairs are expensed. The useful life and residual values are reviewed at each balance sheet date.

The useful life and residual values are reviewed at each balance sheet date.

Newbuildings

Vessels under construction are classified as non-current assets and recognized at the cost incurred in relation to the non-current asset when paid. Newbuildings are not depreciated until delivery. Borrowing costs directly attributable to the construction of vessels are added to the cost of the vessels, until such time as the vessels are ready for their intended use.

Impairment of vessels and newbuildings

On a quarterly basis the balances are assessed whether there is an indication that vessels and newbuilding contracts may be impaired. If indicators are concluded to be present, an impairment test is performed. If the recoverable amount is lower than the book value, an impairment charge is recorded. Impairment losses are recognized in the profit and loss statement. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. For further information regarding impairment

considerations, refer to critical accounting estimates and judgments.

RIGHT OF USE ASSETS

As a lessee, the Group leases mainly satellite communication and IT equipment onboard the vessels. Under IFRS 16, which was implemented as from January 1, 2019 the Group recognises right-of-use assets and lease liabilities. The Group previously classified these leases as operating leases in line with IAS 17.

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities of USD 1.7 million.

FAIR VALUE MEASUREMENT

Derivatives are measured at fair value. The fair value of financial instruments traded in active markets is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. The fair value of financial instruments not traded in active markets is determined using appropriate evaluation techniques.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and loan to related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair



NOTE 1 ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.



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This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

As per 31 December 2019 all the Group hedges are classified as cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, fuel contracts and interest rate swaps to hedge its foreign currency risks, interest rate risks and to reduce exposure to volatile and potentially rising fuel costs. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit and loss.

Amounts recognized as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss,



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such as when the hedged financial income or expense is recognized or when a forecast transaction occurs.

Derivative financial instruments that are designated as, and are effective hedging instruments are separated into a current and non-current portion consistent with the classification of the underlying item.

INVENTORIES

Inventories consist mainly of lubricant oil and are recognized at cost in accordance with the first in – first out method (FIFO). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognized if the net realizable value is lower than the cost price.

CASH AND CASH EQUIVALENTS

Cash includes cash in hand, bank deposits and other highly liquid investments with original maturities of three months or less.

EQUITY

Transaction costs related to an equity transaction are recognized directly in equity, net of tax.

DIVIDENDS

Dividend payments are recognized as a liability in the Group's financial statements from the date when the dividend is approved by the general meeting.

PROVISIONS

A provision is recognized when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the

amount. Provisions usually relate to legal claims.

Provisions for loss-making contracts are recognized when the Group's estimated revenues from a contract are lower than unavoidable costs which were incurred to meet the obligations pursuant to the contract (ref description of onerous contracts in section "Significant estimates and assumptions").

RELATED PARTIES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties transactions are recorded to estimated fair value. Transactions with related parties are disclosed in note 21.

EVENTS AFTER BALANCE SHEET DATE

New information on the Group's financial position at the balance sheet date is taken into account in the annual financial statements. Subsequent events that do not affect the Group's position at the balance sheet date, but which will affect the Group's position in the future, are disclosed if significant.

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

Current assets and short-term liabilities include items due less than one year from the balance sheet date, as well as items due more than one year from the balance sheet date, that are related to the operating cycle.

Liabilities with maturity less than one year from the balance sheet date are classified as current. All other debt is classified as long-term debt. The first year's repayment of long-term debt is classified as current.



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CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

Group. The Group has not early adopted the mandatory amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2020 or later periods.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for 2019.

IFRS 16 LEASING

The company adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospective method. On initial application of IFRS 16, the Company elected to use the following practical expedients:

- Lease contracts with a duration of less than 12 months will continue to be expensed to the income statement.
- Lease contracts for underlying assets of a low value will continue to be expensed to the income statement.

The Group has elected to use the exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Lease contracts which is not part of the exemptions are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate. The right-of-use assets are measured at an amount equal to the lease liability at the date of implementation. The right-of-use asset is depreciated on a straight line basis over the lease term.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the



Note 2 - Revenue from contracts with customers

Disaggregated revenue information

The Group has income from COA contracts (1-3 years), spot voyages and TC trips. Set out below is the disaggregation of the Group's revenue from contracts with customers:

Revenue types (USD'000)	Classification	2019	2018
Revenue from COA contracts	Freight revenue	98 110	73 048
Revenue from spot voyages	Freight revenue	32 658	11 237
Revenue from TC contracts	Charter hire revenue	32 818	33 315
Revenue from TC contracts (KCC Chartering)	Charter hire revenue	-	13 253
Total revenue, vessels		163 586	130 852

Contract balances

USD'000	2019	2018
Trade receivables from charterers	8 696	7 218
Contract assets	3 356	1 962
Contract liabilities	3 237	3 891

Contract balances relates mainly to the chartering company KCC Chartering AS which was included in the Group as from end March 2018 (note 1). Contract assets is accrued income related to ongoing voyages (revenue recognised from load-to-discharge). Contract liabilities is prepaid revenue from customers.

Performance obligations

IFRS 15 also requires the Group for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent that the contract covers more than one performance obligation, determine whether revenue should be recognised over time or at a point in time and recognise revenue when or as performance obligations are recognised. The Groups' voyage charters and TC contracts qualify for recognition over time. The nature of the Group's revenues from TC contracts with its customers is categorised in two groups, the leasing element of the vessel and the service element related to the leased vessel.

For dry bulk cargo lifted, payment is generally due within 10 days after the cargo is loaded, while payment for wet cargo is due immediately upon discharge.



Note 3 - Voyage expenses and operating expenses

USD '000	2019	2018
Freight expenses	17 781	13 390
T/C-hire	1 537	1 537
Voyage expenses	53 158	31 721
Fuel hedge settlement	311	(1 408)
Various expenses	2 407	192
Total voyage costs, vessels	75 194	45 431

USD '000	2019	2018
Technical expenses	17 443	13 452
Crew costs	20 900	17 569
Insurance	3 707	2 796
Crewing agency fee to Klaveness Ship Management AS	1 530	1 336
Ship management fee to Klaveness Ship Management AS	4 109	3 474
IT fee to Klaveness Ship Management AS	165	148
Commission fee	653	728
Other operating expenses	2 862	(195)
Total operating expenses	51 368	39 308

Costs related to technical management, maintenance and crewing services are recognised as operating expenses. Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include sea personnel expenses such as wages, social costs, travel expenses and training.

USD '000	2019	2018
Commercial management fee to Klaveness AS	4 668	2 006
Accounting fee and other administrative fees to Klaveness AS	751	3 088
Project management fee to Klaveness AS	-	107
Travel expenses invoiced from Klaveness AS	29	195
Group administrative services	5 448	5 396



Note 4 - Other operating and administrative expenses

The Group has no employees and has thus no wage expenses or pension liabilities. Services including management, technical, commercial and crewing are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 21. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the various members of the Board of Directors, as such positions of office are a part of their regular employment.

Remuneration to the auditor

USD'000	2019	2018
Statutory audit	218	102
Other assurance services	44	153
Total remuneration to the auditor	262	255

Auditor's fees are stated excluding VAT.



Note 5 - Finance income and finance costs

USD'000	2019	2018
Other interest income	2 056	1 046
Fair value changes interest rate swaps (note 14)	-	-
Gain / (loss) on foreign exchange	352	1 811
Total finance income	2 409	2 857

USD'000	2019	2018
Interest paid to related parties	-	-
Interest expenses mortgage debt	10 769	6 545
Interest expenses bond loan	2 571	3 722
Fair value changes interest rate swaps (note 14)	2 297	445
Other financial expenses	989	857
Total finance costs	16 626	11 570

Interest expenses of USD 1.3 million is capitalized as borrowing costs on newbuildings in 2019 (2018: USD 0.9 million). Refer to note 15 and note 16 for further disclosures of the Group's debt.



Note 6 - Taxes

Tonnage tax

Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. All the Norwegian ship owning companies within the Group are subject to tonnage taxation. The subsidiary KCC KBA AS exited tonnage taxation in 2016 after the sale of its qualifying asset. The companies within the tonnage tax system pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the Norwegian tonnage tax regime, however only a portion of the interest cost and net currency expenses are deductible.

Ordinary taxation

The ordinary rate of corporation tax in Norway is 22 % for 2019 (2018 23 %). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction (Klavness Cement Logistics AB subject to tax rate of 22 % in Sweden). Tax expenses outside Norway are not material.

Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

USD '000	2019	2018
Income taxes for the year		
Income taxes payable	195	-
Change in deferred tax	-	1 789
Write-down of deferred tax	-	1 392
Tax adjustments previous years	-	-
Total tax expense / income (-) reported in the income statement	195	3 181
Tax on net (gain)/loss on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	-	-

USD '000	2019		2018	
	Income	Tax effect	Income	Tax effect
Tax payable				
Profit / loss (-) before taxes, incl OCI	(3 937)	(867)	14 718	3 385
Income from shipping activity, tonnage tax system	(11 127)	(2 448)	(25 147)	(5 784)
Change in temporary differences	(4 999)	(1 100)	6 217	1 430
Permanent differences	16 277	3 581	2 353	541
Change in tax losses carried forward	(4 796)	(1 055)	(8 866)	(2 039)
Exchange rate differences	9 467	2 083	10 725	2 467
Tax payable in the balance sheet	885	195	-	-
Effective tax rate		0 %		0 %
Tonnage tax (included in operating profit)		225		123
Total tax payable in the balance sheet	419		123	

USD '000	2019		2018	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Temporary differences - ordinary taxation				
Unrealised gain/loss CCIRS				
Temporary differences	(14 712)	(3 237)	(9 713)	(2 137)
Tax losses carried forward	(12 796)	(2 815)	(17 592)	(3 870)
Deferred tax asset not recognised in the balance sheet	27 509	6 052	27 304	6 007
Net temporary differences - deferred tax liability/asset (-) *	0	0	-	-
Deferred tax liability	-	-	-	-

*At year-end 2019 the company has chosen not to record a deferred tax asset of USD 6.1 million (2018: 6.0 million) of which USD 3.0 million relates to companies subject to tonnage taxation. Temporary differences relates to financial losses carried forward in which possibility to net against future gain is uncertain. No tax positions have been recognised in the balance sheet as there is no convincing evidence of future utilisation.



Note 7 - Vessels

2019

Vessels	Combination		Total vessels*
	carriers	Container	
Cost price 1.1	327 277	257 539	584 816
Additions (mainly upgrading and docking of vessels)	6 010	5 822	11 832
Delivery of newbuildings	155 847	-	155 847
Adjustment acquisition value newbuildings delivered	-	-	-
Costprice 31.12	489 134	263 361	752 496
Acc. Depreciation 1.1	160 240	36 357	196 597
Depreciation for the year	13 685	5 005	19 075
Reclass/disposal	-	-	-
Acc. depreciation losses 31.12	173 925	41 362	215 672
Acc. impairment losses 1.1	-	106 688	106 688
Reversal of impairment	-	-	-
Disposal	-	-	-
Acc. impairment losses 31.12	-	106 688	106 688
Carrying amounts 31.12.2019	315 209	115 312	430 523
No. of vessels	12	8	
Useful life	25	25	
Depreciation schedule	Straight-line	Straight-line	

*) carrying value of vessels includes dry-docking

2018

Vessels	Combination		Total vessels*
	carriers	Container	
Cost price 1.1	323 185	254 319	577 504
Additions (mainly upgrading and docking of vessels)	1 574	3 220	4 794
Adjustment acquisition value newbuilding delivered	2 518	-	2 518
Costprice 31.12	327 277	257 539	584 817
Acc. Depreciation 1.1	143 400	31 543	174 943
Depreciation for the year	16 840	4 814	21 655
Reclass/disposal	-	-	-
Acc. depreciation losses 31.12	160 240	36 357	196 597
Acc. impairment losses 1.1	-	111 688	111 688
Impairment for the year	-	(5 000)	(5 000)
Acc. impairment losses 31.12	-	106 688	106 688
Carrying amounts 31.12.2018	167 037	114 495	281 533
No. of vessels	9	8	
Useful life	20	25	
Depreciation schedule	Straight-line	Straight-line	

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Note 7 - Vessels (cont.)

Additions

The CLEANBU vessels MV Baru, MV Barracuda and MV Barramundi were delivered from Jiangsu New Yangzi Shipbuilding Co. Ltd during 2019, respectively 10 January, 29 July and 20 September.

MV Banastar and MV Barcarena have performed drydocking during 2019. Capitalized amount of the docking program was USD 4.8 millions. Additions of 0.9 million have been capitalized on the CLEANBUs after delivery. In addition, five container vessels have performed drydocking during 2019.

Pledged vessels

All owned vessels are pledged to secure the various loan facilities (refer to note 15 for further information).

Change in useful life

Useful life for the combination carrier vessels is reassessed on a yearly basis. One of the main caustic soda COA's was renewed in late 2018 for 3-5 years. Maximum vessel age has been increased from 20 to 25 years in this contract. Other COA customers have as well accepted (some formally and other informally) age up to 25 years. Useful life is increased from 20 to 25 years as from 01.01.2019. The updated estimate is also supported by the vessels current condition and industry practice for tank and bulk carriers. Due to a decline in steel prices for demolition, the Group has adjusted the estimate for residual value down from 380 usd/mt to 325 usd/mt. The net effect of these changes in assumptions has resulted in a decrease of yearly depreciation for the CABU vessels of approx USD 6.4 million in 2019 compared to 2018.

Impairment assessment

Container vessels

Uncertainties in the global economy and upcoming regulations for the industry (IMO 2020) creates mixed expectations around future freight rates. Based upon this the company performed an impairment test per year end. Recoverable amount was based on the highest of estimated value in use and fair value less cost of sale. Fair value less cost of sale was based on average broker values. Broker values have recovered since year end 2018, and long-term TC freight rates from brokers used as input to the cash flow projections have increased from last year's predictions. The market rates so far in 2020 has been soft, but the volume of transaction is increasing and near 2019-level. Consequently, the impairment test shows a headroom from value in use to the carrying amount. Calculated value in use is above book value and/or within range of max and min broker value for all eight vessels.

The company made no impairments or reversals for the vessels as the spread between book values and minimum brokers' values is acceptable.

Sensitivity analysis of impairment

The impairment testing is affected by changes in the second hand market for container vessels which again is impacted by the expected future container freight rates, regulations (IMO), and global economy. A 10 % drop in the broker estimates as per 31 December 2019 will bring the total estimated broker value below book value with USD 2.8 million. In total this will affect 2 of the company's 8 vessels. This effect might result in an additional impairment loss for the company considering other potential alternative market conditions.

Combination carriers

As per December 31, 2019, no impairment indicators are identified.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	2019	2018
Impairment of vessels	-	5 000
Total impairment loss (-) / reversal	-	5 000



Note 8 - Newbuildings

The Group has five combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2020 and 2021. The contracts include options for five further vessels. The first three vessels were delivered during 2019.

Bank loans have been secured for the first three newbuildings with delivery in 2020, and indicative terms have been received for bank debt related to the two newbuildings with delivery in 2021.

The following tables present the Group's investment in newbuildings as at 31 December 2019 and at 31 December 2018, respectively:

(USD '000)	2019	2018
Cost 1.1	59 877	37 751
Borrowing cost	1 302	867
Yard installments paid	148 170	19 151
Other capitalized cost	8 813	2 108
Delivery of newbuildings	(155 847)	-
Net carrying amount 31.12	62 316	59 877

Capital commitments

The yard installment commitments related to the six newbuildings are set out below.

Remaining installments at 31 December 2019 (USD '000)	2019	2020	Total
Combination carriers	111 600	65 100	176 700
Total commitments newbuildings	111 600	65 100	176 700



Note 9 - Receivables

USD'000	2019	2018
Receivables from related parties		
Klaveness Ship Management AS	-	9
Klaveness AS	110	100
AS Klaveness Chartering	-	494
Receivables from related parties	110	603

USD'000	2019	2018
Other short-term receivables		
Accrued income	3 356	1 962
Accrued interest income	13	16
Claims	168	595
Other short-term receivables	572	412
Other short-term receivables	4 109	2 986

Accounts receivable comprise all items that fall due for payment within one year after the balance sheet date. For dry bulk cargo lifted, payment is generally due within 10 days after the cargo is loaded, while payment for wet cargo is due immediately upon discharge. Trade receivables are non-interest bearing. Trade receivables and other current assets relates mainly to the chartering company KCC Chartering AS which was included in the Group as from end March 2018.

Claims consisting of insurance claims for incidents and is expected to be settled within next year.



Note 10 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2019	2018
Bank deposits, NOK	998	1 327
Bank deposits, USD	65 517	92 303
Bank deposits, SEK (restricted)	-	80
Cash	465	350
Total cash and cash equivalents	66 980	94 060

Hereof cash and bank deposits related to subsidiaries with ownership interest less than 90 %

57 089 **88 263**



Note 11 - Financial assets and liabilities

To reduce currency and interest rate risk, the Group has entered into interest rate swap (IRS) and cross currency interest rate swap (CCIRS) agreements.

The Group holds IRSs that qualify for hedge accounting which reduce interest risk for loans financing the vessels. These instruments have combined notional value of USD 28.5 million and duration until 2022. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income.

The Group has also entered into bunker fuel swaps and forward freight agreements (FFA) that qualify for hedge accounting. The Group use bunker fuel swaps to hedge a portion of its floating bunkers cost to a fixed cost for bunkers to reduce the Group's exposure to changes in bunkers prices. Similarly, the Group can use FFAs to fix freight rates in a future period to reduce its exposure to the dry bulk freight market (via open capacity and index linked COA commitments). As of 31 December 2019 the Group has entered into a currency hedge hedging a minor share of AUD denominated port costs.

The cross currency interest rate swap (CCIRS) agreements reduce currency and interest rate risk for the bond loan, however the instruments do not qualify for hedge accounting. The CCIRSs are recognised at fair value with changes through profit and loss. Book value of these are negative by USD 16.7 million as of 31 December 2019 (2018: negative USD 16.5 million).

Financial assets at 31 December

	2019	2018
<i>Financial instruments at fair value through OCI</i>		
Interest rate swaps	-	322
Forward freight agreements	1 056	970
<i>Financial instruments at fair value through P&L</i>		
Forward freight agreements	21	
Interest rate swaps	202	1 032
Financial assets	1 279	2 324

Financial liabilities at 31 December

	2019	2018
<i>Financial instruments at fair value through OCI</i>		
Cross-currency interest rate swap	91	
Interest rate swaps	364	-
FX hedge (AUD/USD)	-	38
Fuel hedge	-	918
<i>Financial instruments at fair value through P&L</i>		
Interest rate swaps	18 372	16 477
Cross-currency interest rate swap	-	412
Financial liabilities	18 736	17 845



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Note 12 - Inventories

USD'000	2019	2018
Bunkers	6 777	5 820
Luboil	1 248	1 218
Inventories	8 025	7 038

Inventories relates to bunkers and luboil on board vessels. Bunkers relates to the chartering company KCC Chartering AS which was included in the Group from 23 March 2018.



Note 13 - Financial Risk Management

Capital management

The Group intends to maintain an efficient capital structure, provide financial ability to execute on the strategy and ensure the Group has sufficient liquidity to meet liabilities and commitments as they fall due. Targets have been defined for equity ratio and minimum liquidity. The equity ratio as of 31 December 2019 was 49 % (2018: 59 %) and cash was USD 67 million. The Group's covenants are described in note 15.

The capital structure and dividend payments are considered in view of debt service ability, capital commitments and expectations of future cash flows. Available cash, loan covenants and the balance sheet composition is monitored to make sure that the company has the necessary financial strength to continue as a going concern.

The Group aims to spend free cash flows as follows:

- Repayment of net interest-bearing debt
- Distribution to the Group's shareholders by means of dividends.
- Investments in developing new and existing business.

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group, the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 16), bond loan listed at Nordic ABM (note 17) interest bearing debt to related parties (note 21), cash and cash equivalents and equity attributable to the shareholders.

Financial risk

The Group is exposed to operational risk, market risk including but not limited to freight rates and vessel values, currency (FX) and interest rate (IR) risks, credit/counterparty risk and liquidity risk. The Group's executive management oversees the management of these risks, and is supported by a risk management department and a treasury department that provide risk advisory and maintain an appropriate financial risk governance framework for the Group. The risk department provides assurance to the executive management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Operational risk

Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klavness Ship Management AS (affiliated company) which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met.

Operational risk is managed through quality assurance procedures and systematic training of seafarers and land based employees. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat of such attacks. Operational risk is also covered by insurance where relevant to cover loss of assets, revenues and contract commitments. The vessels are insured for loss of hire, protection and indemnity (P&I) and complete loss (Hull and Machinery). The latter is aligned with vessel values and loan agreements. The financial impact of a total loss of a vessel will not be material for the Group.

Market risk

Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Group's vessels. These risks are to some extent managed through contracts of affreightment covering a large part of the Group's fleet capacity for the nearby year and covering part of the exposure for the next 1-2 years.

A significant expense for transport at sea is bunkers. The price of fuel is unpredictable and fluctuates based on events outside the Group's control, including geopolitical developments, supply and demand for oil and gas, actions of OPEC and other energy producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. To reduce the risk of fluctuations in bunker fuel prices, the Group may decide to hedge the bunker price exposure by the use of bunker fuel swaps or options to hedge the inherent fuel oil exposure in its freight contracts or include bunker adjustment factors (BAF) in the contracts.



Note 13 - Financial Risk Management (cont.)

Foreign currency risk and interest rate risk

The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of all significant entities in the Group. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. The Group has hedged a portion of port costs in AUD.

The Group has long term interest bearing debt that is exposed to floating interest rate. Long term mortgage debt bear interest at LIBOR plus an applicable margin. In order to hedge the risk, the company has entered into interest rate swaps. At 31 December 2019, 45 % of the floating interest loans are hedged. Included swaps booked as speculative instruments the ratio is 89 %. The Group evaluates on an ongoing basis the need to adjust interest rate exposure.

The table below shows estimated changes in profit before tax for the Group from changes in interest rates in 2019 and 2018, with all other variables held constant. The changes are estimated based on given capital structure as of year-end.

USD '000	Change in interest rate	2019	2018
USD LIBOR	+1,00%	1 087	202
	+ 0,5%	543	101
	- 0,50%	(543)	(101)
	- 1,00%	(1 087)	(202)

Counterparty/credit risk

The performance of the Group depends on its counterparties' ability to perform their obligations under agreed contracts, a continued client need for the services performed by the combination carriers and KCC's ability to renew contracts with these clients. Default by a counterparty of its obligations under, mainly cargo customers (CoA's), may have material adverse consequences on the contract portfolio earnings. The counterparty's financial strength will thus be very important. The Group recognizes claims to the extent the Group has legal right to insurance coverage. As such, default by an insurance institution may have material financial consequences.

The Group has five newbuildings on order. Risk of delays and failure of the yard to deliver exists. Tier one Chinese banks have provided refund guarantees. Further, the Group is exposed to credit risk through its deposits. Deposits are currently made with investment grade financial institutions with A rating or higher from public rating agency.

Total unrisks credit risk at year-end 2019 amounts USD 101.3 million (book value of receivables and bank deposits).

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its obligations when they fall due. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The KSH Group's current cash flow, existing and committed debt, bank financing under negotiation and liquidity position are considered sufficient to cover all approved investments. The bond loan (KSH03) was transferred to Klavness Combination Carriers ASA (KCC) during 2019 and changed ticker to KCC03. KCC issued a NOK 500 million bond in February 2020 and has repurchased NOK 158 million of KCC03. In relation to this, the internal swap between KSH and KCC was settled and the external swaps in KSH was settled. KSH company has after this settlement no external debt obligations. The Group as such furthermore benefits from being well diversified on funding sources.

Maturity profile of financial liabilities at 31 December 2019

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt and bond loan includes interest payments.

Maturity profile financial liabilities at: 31 Dec 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)*	25 909	119 118	81 043	-	226 070
Bond loan (incl interests)	2 464	36 218	-	-	38 682
Other interest bearing liabilities	2 172	-	-	-	2 172
Accounts payable	7 954	-	-	-	7 954
Current debt to related parties	819	-	-	-	819
	39 318	155 336	81 043	-	275 697

Maturity profile financial liabilities at: 31 Dec 2018	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	20 395	57 606	100 781	-	178 781
Bond loan (incl interests)	2 346	37 786	-	-	40 133
Other interest bearing liabilities	2 172	-	-	-	2 172
Accounts payable	4 032	-	-	-	4 032
Current debt to related parties	322	-	-	-	322
	29 267	95 392	100 781	-	225 440

Commitments newbuildings

The yard commitments related to newbuildings are set out below. Five combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China are scheduled for delivery in end 2020 and 2021.

Remaining installments at: 31 December 2019	2020	2021	Total



Combination carriers	111 600	65 100	176 700
Total commitments newbuildings	111 600	65 100	176 700



Note 14 - Fair value measurement

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets included in the financial statements.

USD'000	Carrying amount		Fair value	
	2019	2018	2019	2018
Loans and receivables at amortised cost				
Accounts receivable	8 754	7 303	8 754	7 303
Receivables from related parties	110	603	110	603
Total loans and receivables	8 863	7 906	8 863	7 906
Cash and cash equivalents*	66 980	94 060	66 980	94 060
Total	75 843	101 966	75 843	101 966
Total current	75 843	101 966	75 843	101 966
Total non-current	-	-	-	-

* including restricted cash (note 12)

USD'000	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial liabilities at fair value through OCI				
Derivates in effective cash flow hedges	-	-	-	-
FX hedge (AUD/USD)	-	38	-	38
Fuel hedge	-	918	-	918
Financial liabilities at fair value through P&L				
Other derivatives	18 372	16 889	18 372	16 889
Total financial liabilities at fair value	18 372	17 845	18 372	17 845
Other financial liabilities at amortised cost				
Accounts payable	7 954	4 032	7 954	4 032
Other financial liabilities	819	322	819	322
Interest bearing debt	212 893	125 458	214 167	125 458
Bond loan	34 023	34 217	36 156	36 156
Liabilities directly associated with assets held for sale	-	-	-	-
Total financial liabilities at amortised cost	255 689	164 029	259 096	165 967
Total	274 061	181 874	277 468	183 812
Total current	26 140	16 554	26 140	16 554
Total non-current	247 922	165 320	251 328	167 258



Note 14 - Fair value measurement (cont.)

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Since the bond are listed on Nordic ABM (KCC03), fair value of the bond is disclosed based on traded information. Fair value of KCC03 is based on latest transaction.
- Fair value of derivatives are based on mark to market reports recieved from banks.

Fair value hierarchy

The Group uses financial hierarchy under IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2019:

31.12.2019

Assets	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
Interest rate swaps		202		202
<i>Financial assets at fair value through OCI</i>				
Interest rate swaps		0		-
Forward freight agreements		1 056		1 056
Liabilities	Level 1	Level 2	Level 3	Total
<i>Financial liabilities at fair value through profit or loss</i>				
Cross currency interest rate swap		16 654		16 654
Interest rate swaps		-		-
<i>Financial liabilities not measured at fair value, but for which fair value is disclosed</i>				
Bond	34 023			34 023
Mortgage debt			214 167	214 167
Other interest bearing liabilities			2 172	2 172

The table below presents fair value measurements to the Group's assets and liabilities at 31 December 2018:

31.12.2018

Assets	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
Forward freight agreements		1 032		1 032
<i>Financial assets at fair value through OCI</i>				
Interest rate swaps		322		322
Forward freight agreements		970		970
Liabilities	Level 1	Level 2	Level 3	Total
<i>Financial liabilities at fair value through profit or loss</i>				
Cross currency interest rate swap		16 477		16 477
Interest rate swaps		412		412
<i>Financial liabilities at fair value through OCI</i>				
FX hedge (AUD/USD)		38		38
Fuel hedge		918		918
<i>Financial liabilities not measured at fair value, but for which fair value is disclosed</i>				
Bond	36 156			36 156
Mortgage debt			125 458	125 458
Other interest bearing liabilities			2 172	2 172

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date and are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over -the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. During



the reporting periods, there were no transfers between any of the levels. Refer to Note 17 for the disclosures of non-current and current portion of the liabilities measured at fair value.



Note 15 - Interest bearing debt and financial instruments

The below tables present the Group's financing arrangements as per 31 December 2019. All debt except bond loans (NOK) are denominated in USD. As a consequence of transferring the vessels from single purpose entities to KCC Shipowning AS (between subsidiaries in the Group) the existing bank facilities have been merged into two facilities with KCCS as borrower. The loan amount for the CABUs remain the same, hence no cash movements followed the restructuring of the loans.

The USD 100 million secured term loan facility with Nordea/Danske Bank has refinanced loans for the vessels MV Balboa, MV Baffin, MV Ballard, MV Barcarena, MV Bangor, MV Bantry and MV Bakkedal. The loan will be repaid in quarterly instalments and a balloon repayment on the maturity date in 2022.

The USD 105 million secured term loan facility with DNB/SEB has refinanced loans for the vessels MV Banasol and MV Banastar and the three newbuildings; MV Baru (delivered January 2019), MV Barracuda (delivered in June 2019) and MV Barramundi (delivered September 2019). For the newbuildings bank financing represents close to 65% of contract price. The loan will be repaid in quarterly instalments and a balloon repayment on the maturity date for outstanding debt on the newbuilding tranches in 2023.

The container vessels are financed by a revolving credit facility (RCF) secured by all eight vessels and a maximum limit of USD 63.7 million by year-end 2019.

Mortgage debt	Description		Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	86 563
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	100 878
SEB/SR-Bank/SPV Facility	Term loan/RCF, 90.75 mill	LIBOR + 2.3 %	October 2025	-
Container RCF	DNB/SEB USD 63.7 mill		February 2021	28 000
Capitalized transaction costs				(1 274)
Mortgage debt 31 December 2019				214 167

(USD '000)	Fair value 31 Dec 2019	Book value 31 Dec 2019	Book value 31 Dec 2018
Mortgage debt	196 801	196 801	114 163
Capitalized loan fees	-	(1 274)	(905)
Total mortgage debt, non-current	196 801	195 527	113 258
Mortgage debt, current	17 367	17 367	12 200
Total mortgage debt	214 167	212 893	125 458

Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial. Fair value is not based on observable market data (fair value hierarchy level 3).

At 31 December 2019 the Group has USD 90.75 million in undrawn bank financing (as part of the USD 105 million DNB/SEB facility) committed to three newbuildings available on delivery of the vessels.

(USD '000)	Fair value 31 Dec 2019	Book value 31 Dec 2019	Book value 31 Dec 2018
Other interest bearing liabilities	1 835	1 835	1 835
Other interest bearing liabilities	1 835	1 835	1 835

(USD '000)	Fair value 31 Dec 2018	Book value 31 Dec 2018	Book value 31 Dec 2018
Other interest bearing liabilities	2 172	2 172	2 172
FINANCIAL STATEMENT 31. DECEMBER 2019	2 172	2 172	2 172

The Group has entered into a overdraft facility pledged with receivables and bunkers inventory.

Covenants

As per year end 2019, the Group is in compliance with all financial covenants. Financial covenants on KCC Shipowning Group level relates to minimum equity (USD 110 million) and equity ratio (30%), minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net debt to operating profit (no covenant in 2019, max 7x in 2020 and max 5x from 2021). The credit facility for the container vessels also contains financial covenants related to equity and cash based on the consolidated accounts of Klavness Ship Holding AS (KSH). In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Securities

As a security for the mortgage debt, the company has included a first priority security in all vessels and earnings accounts, and assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral and mortgaged assets (USD '000)	2019	2018
Vessels	430 523	281 533
Bunkers	8 025	7 038
Accounts receivables	8 754	7 303
Total book value of collateral and mortgaged assets	447 301	-



Klaveness Combination Carriers AS
Consolidated financial statements
31 December 2018

Note 15 - Financial assets and financial liabilities continued

Reconciliation of movements of liabilities and equity to cash flow arising from financing activities

USD '000	Liabilities			Equity			Total
	Interest payable	Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium/reserve	Other equity	Non-controlling interests	
Balance at 1 January 2019	-	12 200	113 258	8 669	190 365	67 539	418 717
Repayment of mortgage debt		(12 200)	(814)				(13 014)
Proceeds from mortgage debt		17 367	99 267				116 634
Interest and loan fee's paid	(14 552)						(14 552)
Capital increase (May) (net of transaction costs)				-	-	38 747	38 747
Group contribution/dividends					(15 010)		(15 010)
Dividends to non-controlling interests						(1 638)	(1 638)
Acquisition of non-controlling interests							-
Total changes from financing cash flow	(14 552)	5 167	98 453	-	(15 010)	37 109	111 168
Liability-related							
Expensed capitalised borrowing costs			369				369
Non-cash movement		-	(15 279)	264	-	3 901	-
Total liability-related changes		-	-	14 910			-
Total equity-related other changes				264	(269)	(3 901)	(3 906)
Balance at 31 December 2019		17 367	196 801	8 933	175 086	100 747	511 068

USD '000	Liabilities			Equity			Total
	Interest payable	Interest-bearing short-term debt	Interest-bearing long-term debt	Share capital/premium/reserve	Other equity	Non-controlling interests	
Balance at 1 January 2018	-	20 549	145 078	8 791	182 281	22 086	378 785
Repayment of mortgage debt			(19 528)				(19 528)
Proceeds from mortgage debt		2 172	15 000				17 172
Interest paid	(9 703)						(9 703)
Capital increase (Apr) (net of transaction costs)						12 000	12 000
Capital increase (Oct) (net of transaction costs)						41 387	41 387
Group contribution					(10 185)		(10 185)
Dividends to non-controlling interests						(495)	(495)
Capital contributions					(259)	(363)	(622)
Total changes from financing cash flow	(9 703)	2 172	(4 528)	-	(10 444)	52 529	30 027
Liability-related							
Expensed capitalised borrowing costs			331				331
Agio on bond loan			(1 756)				-
Non-cash movement		(8 349)	8 349	(122)			-
Total liability-related changes		(8 349)	6 925	(122)	-	-	-
Total equity-related other changes				18 528	(7 076)		11 452
Balance at 31 December 2018	-	12 200	113 258	8 669	190 365	67 539	418 717



Note 16 - Bond loans

Klaveness Ship Holding AS issued a senior unsecured bond of NOK 300 million in December 2016, with maturity in May 2021 (KCC03). The bond loan has been transferred to Klaveness Combination Carriers ASA in January 2019 and changed ticker to KCC03. The borrowing limit of NOK 500 million, hence subsequent issues may take place over the tenor of the bond. Tap issues are conditional on the market price and on investor appetite on the date of the tap issue (note 23).

The bond loan (KCC03) is listed on Oslo Børs and has a bullet structure with no repayment until maturity in 2021. The bond loan is subject to an interest rate of 3M NIBOR plus a margin of 5.25 %.

Covenants are described in note 15.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000)	
			2019	2018
KCC03 (KSH03)				
Original loan amount	300 000	27.05.2021	35 273	35 273
Exchange rate adjustment			(949)	(755)
Capitalized expenses			(301)	(301)
Bond loan	300 000		34 023	34 217



Note 17 - Commitments and guarantees

Capital commitments

The Group has capital commitments relating to borrowings and newbuildings. For information of maturity profile for mortgage debt and bond loan, see note 13, Commitments related to newbuildings are presented in note 11. Available facilities is presented in note 13.

Guarantees

Below is a list of guarantees given at 31 December 2019

Guarantee to	Description	Amount
SEB/DNB/Danske Bank	Klaveness Ship Holding AS guarantees for RCF in Klaveness Container AS, related to the eight container vessels.	Drawn amount USD 23 million, max limit 105 million incl interest, expenses and exposures under derivatives
Jiangsu New Yangzi Shipbuilding Co. Ltd	Klaveness Combination Carriers AS guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the yard for the 3rd and 4th installments for the shipbuilding contracts YZJ 2015-1226, YZJ2015-1227 and YZJ 2015-1228.	USD 9.3 million per newbuilding + 5 % interest p.a.



Note 18 - Other liabilities

Other current liabilities	2019	2018
Accrued expenses	3 603	1 980
Crew accrued wages	1 291	978
Accrued interest	1 560	966
Other short term liabilities	3 389	3 128
Total other current liabilities	9 843	7 054



Note 19 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2019	1 000	12 000	NOK 12 million

All shares are issued and fully paid.

All shares are owned by Rederiaksjeselskapet Torvald Klaveness.

A group contribution of USD 0.8 million was paid to Klaveness Finans AS in 2020 (not recognised as liability and receivable as of 31 December 2019 as not yet approved by the general meeting).



Note 20 - List of subsidiaries

Klaveness Ship Holding AS (KSH) comprises several subsidiaries. Presented below is a list of all subsidiaries. Unless otherwise stated, the companies are located in Oslo, Norway.

Company name	Ownership interest per 31 Dec 2019	Ownership interest per 31 Dec 2018
Klaveness Combination Carrier ASA	54 %	63 %
Klaveness Container AS2	96,5 %	94,7 %
Klaveness Cement Logistics AB (Sweden)	100 %	63 %
KCC Shipowning AS (formely T. Klaveness Shipping AS)	54 %	63 %
KCC KBA AS (formerly Klaveness Bulk AS)	54 %	63 %
KCC Chartering AS (formerly Cabu Chartering AS)	54 %	63 %
Banasol Inc (Liberia) ³	0 %	63 %
Cabu Bangor Inc. (Liberia) ³	0 %	63 %
Banastar Inc. (Liberia) ³	0 %	63 %
Cabu V Investment Inc. (Liberia) ³	0 %	63 %
Cabu VI Investment Inc. (Liberia) ³	0 %	63 %

1) KCC was listed in May 2019. Prior to the listing 7 368 000 new shares were issued in a private placement reducing the ownership to 54 %

2) KSH participated in a capital increase in November 2019 increasing the ownership to 96,5 %

3) All Liberia registrered Inc's were sold out of the KSH group in January 2019



Note 21 - Transactions with related parties

The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS.

The Group has undertaken several agreements and transactions with related parties in the RASTK Group. The level of fees are based on market terms and are in accordance with the arm's length principle. The group has no employees.

Klaveness AS delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management and commercial management.

Klaveness Ship Management AS delivers ship management services for all of the vessels in the Group. Ship Management fees cover services like technical management, crewing management, IT and energy management. For the newbuildings in the Group, Klaveness AS performs supervision and project management services.

USD'000			
Supplier	Type of agreement	2019	2018
Klaveness AS (affiliated company)	Business administration fee	(2 238)	(3 088)
Klaveness AS (affiliated company)	Commercial management fee	(1 628)	(2 006)
	Travel expenses and operating cost		
Klaveness AS (affiliated company)	re invoiced from Klaveness AS	(530)	-
Klaveness Ship Management AS (affiliated company)	IT fee	(165)	(148)
Klaveness Ship Management AS (affiliated company)	Ship Management fee	(4 109)	(3 474)
Klaveness Ship Management AS (affiliated company)	Crewing agency fee	(1 530)	(1 336)
Klaveness AS (affiliated company)	Supervision/project management	(2 075)	(2 400)



Note 22 - Contingent liabilities

Regular claims are made against the Group as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the Group. No new provisions are recognised in 2019.

FINANCIAL STATEMENT 31. DECEMBER 2019



Note 23 - Events after the balance sheet date

On 30 January 2020, the Group completed the placement of a new senior unsecured bond issue of NOK 500 million with maturity date 11 February 2025. The bond carries a coupon of 3 months NIBOR +475 bps p.a. with quarterly interest payments. 4/5 of the new bond loan (KCC04) was swapped to a USD obligation with fixed rate. KCC has repurchased NOK 138 million of the KCC03 bond issue.

The company is monitoring the development of the COVID-19 virus outbreak and is continuously assessing current and potential impact on employees, crew and operations. The company takes precautionary measures and assesses all potential risks. As of the date of this report, the direct effects on the business are limited. However, indirect consequences may occur as a result of lower global activity and significant macroeconomic uncertainty. The duration and scale remains uncertain, but could have material impact on earnings and cash flow. However, it is not possible to quantify such effects for the time being.

AS per 1 February 2020, employment of key personnel was transferred from Klaveness AS to Klaveness Combination Carriers ASA.

Estimated delivery of the 4th CLEANBU vessel, MV Baleen, is moved from February 2020 to June 2020.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2019.



Klaveness Ship Holding AS

Income Statement

USD '000	Note	Year ended 31 December	
		2019	2018
Total operating revenue			
Management fee	Note 13	(154)	(292)
Other administrative services	Note 2	(72)	(142)
Total operating expenses		(226)	(434)
Operating profit		(226)	(434)
Finance income	Note 3	7 493	68 422
Finance costs	Note 3	(3 103)	(34 003)
Profit/ (loss) before tax		4 164	33 985
Income tax expenses	Note 4	(195)	(3 181)
Profit/ (loss) after tax		3 968	30 804



Klaveness Ship Holding AS
Statement of Other Comprehensive Income

USD '000	Note	2019	2018
Profit of the year		3 968	30 804
Net other comprehensive income to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive income/(loss) for the period, net of tax		3 968	30 804



Klaveness Ship Holding AS
Statement of Financial Position

USD '000	Note	As at 31 December	
		2019	2018
ASSETS			
Non current assets			
Deferred tax asset	Note 4	-	-
Investments in subsidiaries	Note 5	223 084	202 081
Financial assets		1 438	-
Loan to related parties	Note 6	-	95 496
Total non current assets		224 522	297 577
Current assets			
Loan to related parties	Note 6	38 197	-
Receivables from related parties	Note 6	97	499
Other short-term receivables		-	5
Cash and cash equivalents	Note 7	1 834	583
Total current assets		40 127	1 087
TOTAL ASSETS		264 648	298 663



Klaveness Ship Holding AS
Statement of Financial Position

USD '000	Note	As at 31 December	
		2019	2018
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 8	1 817	1 817
Share premium		7 068	7 068
Other reserves		346 177	346 177
Retained earnings		(118 384)	(107 342)
Total equity		236 677	247 719
Non-current liabilities			
Bond loans	Note 18 Group	-	34 217
Financial liabilities	Note 9	16 654	16 477
Total non-current liabilities		16 654	50 694
Current liabilities			
Loan from related parties	Note 6	11 088	-
Other current liabilities		231	251
Total current liabilities		11 319	251
TOTAL EQUITY AND LIABILITIES		264 648	298 663

Oslo, 31 December 2019
Oslo, 30 March 2020


Lasse Kristoffersen
Chairman of the Board


Ernst André Meyer
Board member


Martin Prokosch
Board member


Morten Skedsmo
Managing Director



Klaveness Ship Holding AS
Statement of Changes in Equity

USD'000	Share capital	Share premium	Other paid in capital	Hedging reserves	Other reserves	Retained earnings	Total equity
Equity at 1 January 2018	1 817	7 068	-	-	346 177	(127 965)	227 097
Profit (loss) for the year						30 804	30 804
Other comprehensive income for the year				-			-
Total comprehensive income for the year				-		30 804	30 804
Group contribution						(10 181)	(10 181)
Equity at 31 December 2018	1 817	7 068	-	-	346 177	(107 342)	247 719
Profit (loss) for the year						3 968	3 968
Other comprehensive income for the year						-	-
Total comprehensive income for the year						3 968	3 968
Group contribution						(15 010)	(15 010)
Equity at 31 December 2019	1 817	7 068	-	-	346 177	(118 384)	236 677



Klaveness Ship Holding AS

Statement of Cash Flows

USD '000	Note	2019	2018
Profit before tax		4 164	33 985
Amortization of upfront fees and bank loans		-	129
Gain/loss on foreign exchange		655	(1 854)
Unrealised result financial instruments		(1 368)	1 581
Interest income	Note 3	(3 626)	(6 733)
Interest expenses	Note 3	1 918	3 773
Impairment shares in subsidiaries	Note 5	-	28 500
Dividends from subsidiaries		(2 183)	(59 712)
Tax paid for the period		-	-
Change in receivables		(1 036)	(128)
Change in current liabilities		(20)	(34)
Change in other working capital		(127)	(305)
Interest received	Note 3	28	1 615
A: Net cash flow from operating activities		(1 595)	817
Group contribution/dividends from shares in subsidiaries		2 183	13 957
Capital increase in subsidiaries		(997)	(3 613)
B: Net cash flow from investment activities		1 186	10 344
Interest paid	Note 3	(1 918)	-
Loans from related parties		11 088	-
Loans to related parties		-	(1 003)
Repayment of loan from related parties		7 500	-
Payments of group contribution/dividends		(15 010)	(10 181)
C: Net cash flow from financing activities		1 659	(11 185)
Net change in liquidity in the period (A + B + C)		1 251	(24)
Net foreign exchange difference		-	-
Net change in liquidity in the period		1 251	(24)
Cash and cash equivalents at beginning of period		583	607
Cash and cash equivalents at close of period	Note 7	1 834	583
Net change in cash and cash equivalents in the period		1 251	(24)



NOTE 1 ACCOUNTING POLICIES | KLAVENESS SHIP HOLDING AS - PARENT COMPANY

BASIS OF PREPARATION

The financial statements of Klaveness Ship Holding AS (referred to as the Company/the parent company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Accounting principles for the consolidated statement of Klaveness Ship Holding AS also apply to the parent company – see accounting policies presented as part of the consolidated Group accounts.

The main activity of the company is to be a holding company of shipowning subsidiaries.

DIVIDEND INCOME/GROUP CONTRIBUTION

Dividend income is recognized when the right to receive payment is established, which is when the dividend is approved by the general meeting of the subsidiary.

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

Dividend distribution to the company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

SHARES IN SUBSIDIARIES

Shares in subsidiaries in the parent accounts are recorded at acquired cost. These investments are reviewed for impairment when there are indicators that carrying amount may not be recoverable.

CONTRIBUTION IN KIND

When shares are transferred as contribution in kind the capital increase is measured at fair value. Fair value is estimated based on the fair value of underlying assets and liabilities.

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Shares in subsidiaries and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management's assessment can affect the level of impairment loss, or reversal of such, that is recognized in profit or loss.



Note 2 - Operating expenses

The Company has no employees and has thus no wage expenses or pension liabilities. Management services are acquired from other companies within the Group of Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 13. The managing director and members of the Board of Directors are employees of other companies within RASTK. The cost of management is included in the management fee. No special remuneration has been paid to the members of the Board of Directors, because such positions are part of their regular employment.

USD '000	2019	2018
Statutory audit	19	16
Other assurance services from auditor	2	67
Total audit fee	21	82

Auditor's fees are stated excluding VAT.



Note 3 - Finance income and finance costs

USD'000	2019	2018
Interest received from related parties	3 618	6 710
Other interest income	84	23
Guarantee fee from related parties	176	123
Income from investments in subsidiaries (note 5)	2 183	59 712
Unrealised results financial instruments	1 368	-
Gain on foreign exchange	64	1 854
Total finance income	7 493	68 422

USD'000	2019	2018
Interest paid to related parties	179	179
Interest expenses bond loan	447	3 722
Impairment shares in subsidiaries (note 5)	-	28 500
Unrealised results financial instruments	199	1 581
Loss on foreign exchange	655	-
Other financial expenses	1 624	20
Total finance costs	3 103	34 003

Refer to note 5 for further information related to Income from investments in subsidiaries and impairment shares in subsidiaries.

Refer to note 16 in the Group accounts for further disclosures of the company's bond debt.



Note 4 - Taxes

	2019	2018
Income tax for the year		
Income taxes payable	195	-
Change in deferred tax	-	3 018
Adjustment correction of last year's tax expense	-	196
Total tax expense/(income) reported in the income statement	195	3 181

Net (gain)/loss on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	-	-

	2019	2018
Calculation of tax payable		
Profit/ (loss) before tax, incl OCI	4 164	33 985
Permanent differences	(3 300)	(22 117)
Change in temporary differences	3 637	(6 512)
Change in tax losses carried forward	(3 821)	(5 352)
Currency effects	208	(5)
Tax basis before group contribution	888	-
Income taxes payable	195	-

	2019	2018
Reconciliation of actual tax expense against expected tax cost in accordance with the ordinary Norwegian income tax rate of 22 % (23 %)		
Profit /(loss) before tax, incl OCI	4 164	33 985
Estimated tax at 22 % (23 %) statutory rate	(916)	7 817
22 % (23 %) tax on permanent differences	726	(5 087)
Tax effect, change in temporary differences	800	1 498
Exchange rate differences	180	(1 185)
Change in tax rate from 23 % to 22 % deferred tax	-	137
Impairment of deferred tax asset	(594)	-
Correction group contribution previous year	-	-
Income tax expenses	195	3 181
*Profit and loss effect	195	3 181
*OCI effect	-	-
Effective tax rate	5 %	9 %

	Temporary difference	2019 Tax effect	Temporary difference	2018 Tax effect
Temporary differences - ordinary taxation				
Gains and losses account	(136)	(30)	(171)	(38)
Currency gain/loss not realised	2 829	622	6 466	1 423
Unrealised gain/loss interest rate swaps	252	56	287	63
Unrealised gain/loss CCIRS	(15 173)	(3 338)	(16 477)	(3 625)
Loss carried forward	-	-	(3 821)	(841)
Deferred tax asset not recognised in balance sheet	12 227	2 690	13 716	3 018
Deferred tax liability/ asset (-) recognised in balance sheet*	0	0	0	0



Note 5 - Investments in subsidiaries

	Business office, country	Voting share/ ownership	Book value 31.12.2019	Book value 31.12.2018
Klaveness Combination Carriers ASA	Oslo, Norway	53,82 %	163 336	162 327
Klaveness Container AS	Oslo, Norway	96,53 %	59 409	39 409
Klaveness Cement Logistics AB	Stockholm, Sweden	100 %	345	345
Investments in subsidiaries			223 084	202 081

Investments in subsidiaries are recorded at cost. Impairments are recognized if the fair value of equity is lower than book value of the shares

Change in book value for the investment in shares in Klaveness Container AS of USD 20.0 million is due to capital increase by conversion of debt in December 2019. Change in book value for the investment in shares of Klaveness Combination Carriers ASA of USD 1.0 million is due to a capital increase in connection with the listing of shares on Oslo Axxess May 2019.

Impairment assessment

The share price of Klaveness Combination Carriers ASA have been traded below initial cost price for the company. Based upon this the company performed an impairment test per year end. Fair value less cost of sale was based on the identified share price included a control premium of 25 % related to the company's ownership (53.82 %).

The company recognized no impairments or reversals for the shares in vessels as the spread between book values and fair value less cost of sale is acceptable.

Sensitivity analysis of impairment

The impairment testing is affected by changes in the underlying share market and the control premium. A 10 % drop in the share price and control premium per 31 December 2019 will bring the total value below book value with USD 5.0 million. This effect might result in an additional impairment loss for the company considering other potential alternative market conditions.



Note 6 - Intragroup balances

At the end of the year, the Company had the following intragroup balances with related parties:

USD'000	Relationship	2019	2018
Klaveness Container AS	Subsidiary	-	59 496
Klaveness Combination Carriers ASA	Subsidiary	-	36 000
Loan to related parties		-	95 496

Loan to Klaveness Container AS has a maximum limit of USD 38.2 million and falls due in November 2020 and thus reclassified to current debt. Interests are calculated based on 3M LIBOR + margin and are to be paid at maturity. USD 20.0 million of the loan amount was converted to equity in Klaveness Container in December 2019 (note 5).

The bond loan was transferred to Klaveness Combination Carriers ASA (KCC) during 2019. The bond loan has a bullet structure with no repayment until maturity in May 2021. Tap issues are conditional on the market price and investor appetite on the date of the tap issue. The bond loan is subject to an interest rate of 3M NIBOR plus a margin of 5.25 %. In connection with the transfer of the bond loan KSH and KCC entered into a cross-currency interest rate swap agreement.

USD'000	Relationship	2019	2018
Klaveness Combination Carriers ASA	Subsidiary	-	293
Klaveness Container AS	Subsidiary	38 294	206
Receivables from related parties		38 294	499

USD'000	Relationship	2019	2018
KCC Shipowning AS	Subsidiary	-	29
Klaveness Finans AS	Affiliated company	11 088	-
Current debt to related parties		11 088	29

USD'000	Relationship	2019	2018
KCC Shipowning AS	Subsidiary	-	13 784
KCC KBA AS	Subsidiary	-	4
Loan from related parties		-	13 788



Note 7 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2019	2018
Bank deposits, NOK	735	507
Bank deposits, USD	1 099	76
Total cash and cash equivalents	1 834	583

The company has no restricted bank deposits.



Note 8 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2019	1 000	12 000	NOK 12 million

All shares are issued and fully paid.

All shares are owned by Rederiaksjeselskapet Torvald Klaveness.



Note 9 Financial liabilities

To reduce currency and interest rate risk related to the bond loan, the company has entered into a cross currency interest rate swap (CCIRS) agreement.

The CCIRS agreement reduce currency and interest rate risk for the bond loan, however the instruments do not qualify for hedge accounting. The CCIRS is recognised at fair value with changes through profit and loss. Book value of these are negative by USD 16.5 million as of 31 December 2019 (2018: negative USD 16.5 million).

Financial liabilities at 31 December	2019	2018
<i>Financial instruments at fair value through P&L</i>		
Cross currency interest rate swap	16 654	16 477
Financial liabilities	16 654	16 477



Note 10 - Financial risk management

Capital management

Capital management of the Company is overseen on Group level, see note 13 in the consolidated accounts of Klaveness Ship Holding AS. The Company is in compliance with all covenants as of 31 December 2019 - see note 15 in the consolidated accounts of Klaveness Ship Holding AS.

Operational risk

The company's activity is to be a holding company of subsidiaries and its main risk is related to the financial situation of the subsidiary companies. If the subsidiary experiences losses over time, the investment may be impaired. Impairment evaluations are carried out at each closing date. As the ultimate holding company of all shipowning companies, the company is also subject to development costs related to research and development within the Torvald Klaveness Group.

Foreign currency risk and interest rate risk

As of 31 December 2019, fair value of cross currency interest rate swap (CCIRS) is negative by USD 16.6 million (2018: negative by USD 16.5 million) (note 9). The company no longer has any cross currency interest rate swap agreements that qualify for hedge accounting.

The Company's functional currency is US Dollar (USD). The company has some costs incurred in other currencies (mainly NOK). No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

Counterparty/credit risk

Counterparty risk is related to intercompany balances and risk related to guarantees provided to banks on behalf of loan facilities in subsidiaries (Klaveness Container AS, see note 12). There is a risk that subsidiaries do not generate cash flow to be able to meet financial obligations when they fall due. Loan facilities in which guarantee has been provided fall due in 2021. Liquidity buffers in the benefactors are expected to be sufficiently large to cater for such events.

The company is exposed to credit risk through its deposits. Deposits are currently made with financial institutions that have A/AA rating.

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its obligations when they fall due. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The KSH Group's current cash flow, existing and committed debt, bank financing under negotiation and liquidity position are considered sufficient to cover all approved investments. The bond loan (KSH03) was transferred to Klaveness Combination Carriers ASA (KCC) during 2019 and changed ticker to KCC03. KCC issued a NOK 500 million bond in February 2020 and has repurchased NOK 158 million of KCC03. In relation to this, the internal swap between KSH and KCC was settled and the external swaps in KSH was settled. KSH company has after this settlement no external debt obligations. The Group as such furthermore benefits from being well diversified on funding sources.

Maturity profile presented below includes interest payments.

Maturity profile to financial liabilities at 31 Dec 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Loan from related parties	11 088	-	-	-	11 088
Financial liabilities	-	16 654	-	-	16 654
Other current liabilities	231	-	-	-	231
	11 319	16 654	-	-	27 972

Maturity profile to financial liabilities at 31 Dec 2018	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bond loan	2 346	37 786	-	-	40 132
Other current liabilities	251	-	-	-	251
	2 597	37 786	-	-	40 384



Note 11 - Fair value measurement

Fair value measurement

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments included in the financial statements.

	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial instruments at fair value				
Cross-currency interest rate swap	1 438	-	1 438	-
Loans and receivables at amortised cost				
Loan to related parties	38 197	-	38 197	-
Receivables from related parties	97	499	97	499
Other short-term receivables	-	5	-	5
Total loans and receivables	38 293	504	38 293	504
Cash and cash equivalents	1 834	583	1 834	583
Total assets	40 127	1 087	40 127	1 087
Total current	40 127	1 087	40 127	1 087
Total non-current	-	-	-	-
	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial liabilities at fair value				
Derivatives	16 654	16 477	16 654	16 477
Total financial liabilities at fair value	16 654	16 477	16 654	16 477
Other financial liabilities at amortised cost				
Current debt to related parties	11 088	-	11 088	-
Non-current debt related parties	-	-	-	-
Bond loan	-	34 217	-	34 217
Other current liabilities	231	251	231	251
Total other financial liabilities at amortised cost	11 319	34 468	11 319	34 468
Total liabilities	27 972	50 945	27 972	50 945
Total current	11 319	251	11 319	251
Total non-current	16 654	50 694	16 654	50 694



The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transaction. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are deemed to have equal fair value and book value due to the short term maturities of these instruments.
- The bond was transferred to Klaveness Combinaton Carriers ASA and changed ticker to KCC03.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Valuation is performed by the banks, and assessed by the company.
- Fair value of loans to/from related parties is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of current borrowings equals their carrying amount as the impact of discounting and differences in margin is not significant.

Note 11 - Fair value measurement (cont.)

Fair value hierarchy

The company uses hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the company's assets and liabilities at 31 December. The company had no assets measured at fair value at year end.

31.12.2019

Liabilities	Level 1	Level 2	Level 3	Total
<i>Financial liabilities measured at fair value</i>				
Derivatives		16 654		16 654
Cross-currency interest rate swap		1 438		1 438

31.12.2018

Liabilities	Level 1	Level 2	Level 3	Total
<i>Financial liabilities measured at fair value</i>				
Bond	36 156			36 156
Derivatives		16 447		16 447

The fair value of financial instruments traded in active market is based on quoted market prices at the balance sheet date and are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instruments are included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.



Note 12 - Commitments and guarantees

Capital commitments

The company has capital commitments related to borrowings. For information of maturity profile for bond loans, see note 10.

Guarantees

Below is a list of guarantees provided by the company at 31 December 2019.

Guarantee to	Description	Amount
SEB/DNB/Danske Bank	Klaveness Ship Holding AS guarantees for RCF in Klaveness Container AS, related to the eight container vessels.	Drawn amount USD 23 million, max limit 105 million incl interest, expenses and exposures under derivatives



Note 13 - Transactions with related parties

The ultimate owner of Klaveness Ship Holding AS is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS.

The company has undertaken several agreements and transactions with related parties in the RASTK Group. The level of fees are based on market terms and are in accordance with the arm's length principle. Loan to related parties - see note 6.

Klaveness AS (affiliated company) delivers administrative and business management services (G&A) to the company such as management, accounting, legal, IT services, rent and office services.

An unsecured bond loan of NOK 300 million changed debtor from Klaveness Ship Holding AS to Klaveness Combination Carriers ASA in the end of January 2019. To reduce the risk for changes in currency and interest rate on the bond loan, Klaveness Combination Carriers entered into a cross-currency interest rate swap agreement (CCIRS) with the company.

Supplier	Type of agreement	2019	2018
Klaveness AS	Business administration fee	154	292
Klaveness Container AS	Interest fee recieved loan	3 592	6 929
Klaveness Combination Carriers ASA	Dividend received	2 183	59 747
Klaveness Combination Carriers ASA	Interest fee recieved loan	212	0



Note 14 - Events after the balance sheet date

Klaveness is closely following the development related to the COVID-19 outbreak and takes precautionary measures, preserves cash and assesses all potential risks. As of the date of this report, the direct effects for Klaveness' business are limited. However, indirect consequences may occur as a result of lower activity in shipping markets going forward. The COVID-19 outbreak has resulted in significant macroeconomic uncertainty. The duration and scale remain uncertain, but could have material impact on Klaveness' earnings and cash flow. However, it is not possible to quantify such effects for the time being.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2019.



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Ship Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Ship Holding AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2019, income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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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 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 in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is

Independent auditor's report - Klaveness Ship Holding AS

A member firm of Ernst & Young Global Limited

Pennco Dokumentnr: EVGNU-UBBAI-ZKTCC-EA8PI-DO0FL-5MDPB



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properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Nordby
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: EVGNU-UBBAI-ZKTCC-EA8PI-DO0FL-5MDPB

Independent auditor's report - Klaveness Ship Holding AS

A member firm of Ernst & Young Global Limited



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Johan Nordby

Statsautorisert revisor

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Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Deres dato
20.04.2009

28 JAN. 2010

Vår dato
25.01.2010

Telefon
22078139

Deres referanse
Baard Haugen

Vår referanse
2009/275763

KLAVENESS CORPORATE SERVICES AS
Postboks 182 Skøyen
0212 OSLO

Søknad om tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Torvald Klaveness-gruppen

Det vises til Deres brev av 20. april 2009 og 12. november 2009 samt telefonsamtale i sakens anledning. De søker på vegne av Torvald Klaveness-gruppen om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk.

Torvald Klaveness-gruppen omfatter følgende selskaper;

Rederiaksjeselskapet Torvald Klaveness	org. nr. 932 578 247
Klaveness Corporate Services AS	org. nr. 963 109 466
Klaveness Finans AS	org. nr. 993 345 911
Klaveness Maritime Logistics AS	org. nr. 985 303 665
AS Klaveness Chartering	org. nr. 913 419 472
Klaveness Cement Logistics AS	org. nr. 988 306 428
T Klaveness Shipping AS	org. nr. 963 109 288
Klaveness Ship Investments AS	org. nr. 988 247 081
Klaveness Invest AS	org. nr. 988 913 685
Bulkhandling Cabu AS	org. nr. 984 094 280
Bulkhandling Beltunloader AS	org. nr. 984 094 191
Bulkhandling Handymax AS	org. nr. 984 094 256
Baumarine AS	org. nr. 979 964 684
Bulkhandling Handysize AS	org. nr. 984 094 221
KCL Shipholding AS	org. nr. 986 500 472

Torvald Klaveness-gruppen er en norskeiet selskapsgruppe som er engasjert hovedsakelig i shipping samt i fast eiendom og finansielle investeringer. Gruppens hovedkontor er i Oslo. I tillegg har gruppen operative kontorer i Singapore, Beijing og Manila. Det er opplyst at bakgrunnen for søknaden er at gruppen ønsker å avlegge årsoppgjør på engelsk fordi dette vil bidra til en administrativ forenkling. Gruppen bruker i dag engelsk som arbeidsspråk. All regnskapsdokumentasjon, arbeidsutkast til styreberetning, regnskap og noter m.v. utarbeides på engelsk. Regnskapslovens hovedregel som tilsier at årsoppgjøret må avlegges med norsk tekst, medfører en omfattende oversettelse av alle styreberetninger og regnskaper med noter som en del av arbeidet med årsoppgjøret. Dette er et merarbeid som ikke er verdiskapende eller nødvendigjgjøres av reelle hensyn og som vi ønsker å unngå.

Eierne av gruppen er fire holdingselskaper som igjen eies av brødrene Tom Erik og Trond Harald Klaveness samt deres barn. Begge hovedeiere er aktivt involvert i driften av gruppen som henholdsvis

Postadresse	Besøksadresse	Sentraltbord
Postboks 9200 Grønland 0134 Oslo	Fredrik Selmers vei 4 Org. nr: 974761076	800 80 000 Telefaks
skattedirektoratet@skatteetaten.no		22 17 08 60



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styreleder og administrerende direktør. Det er ingen eksterne eierinteresser ut over disse familiene. Gruppens finanskreditorer er i hovedsak norske finansinstitusjoner. Dette er imidlertid banker som er svært aktive i internasjonal shipping- og næringsfinansiering og som ikke har noe problem med å forholde seg til engelsk som arbeidsspråk. Gruppens leverandører og øvrige kreditorer vil også normalt være selskap som leverer varer og tjenester til rederisektoren, en sektor som av sterk internasjonal karakter. Det må legges til grunn at disse ikke vil ha noe problem med å forholde seg til engelsk som arbeidsspråk. Flertallet av gruppens landbaserte ansatte er av norsk nasjonalitet og har Oslo som arbeidssted. Utekontorene har primært ikke-norske ansatte og vi har også et innslag av ikke-norske ansatte ved kontoret i Oslo. Blant annet av denne grunn har gruppen for et par år tilbake besluttet å benytte engelsk som arbeidsspråk. I dag er det trykte årsoppgjøret som sendes eksterne forretningsforbindelser, deles ut blant ansatte m.v., kun på engelsk.

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som sentrale verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende at spørsmål om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, ikke på vesentlige områder fraviker fra hensynet til brukere av regnskapsinformasjon. Søkeren må som et utgangspunkt for vurderingen ha en særlig interesse for kun å utarbeide årsregnskap og/eller årsberetning på et annet språk enn norsk.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Det framgår av søknaden at alle aksjonærene ønsker at årsregnskapet utarbeides på engelsk språk. Gruppen opererer inne en sektor med sterk internasjonal karakter og arbeidsspråket er engelsk. Dette er imidlertid banker som er svært aktive i internasjonal shipping- og næringsfinansiering og som ikke har noe problem med å forholde seg til engelsk som arbeidsspråk. Gruppens leverandører og øvrige kreditorer vil også normalt være selskap som leverer varer og tjenester til rederisektoren, en sektor som av sterk internasjonal karakter.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering de overnevnte selskapene i Torvald Klaveness-gruppen dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

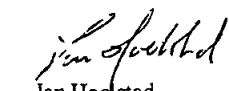


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Dispensasjonen er gitt under den forutsetning at de ovennevnte opplysninger som vedtaket baserer seg på ikke endres vesentlig.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen


Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet


Torstein Kinden Helleland



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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Ship Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Ship Holding AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2019, income statement, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2019 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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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 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 in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is

Independent auditor's report - Klaveness Ship Holding AS

A member firm of Ernst & Young Global Limited

Pennco Dokumentnr: EVGNU-UBBAI-ZKTCC-EA8PI-DOOF-5MDPB



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properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Nordby
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: EVGNU-UBBAI-ZKTCC-EA8PI-DO0FL-5MDPB

Independent auditor's report - Klaveness Ship Holding AS

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Johan Nordby

Statsautorisert revisor

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