ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	920 662 838
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	KLAVENESS COMBINATION CARRIERS ASA
Forretningsadresse:	Drammensveien 260
	0283 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Solveig Sundby
Dato for fastsettelse av årsregnskapet:	28.03.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 08.06.2023

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Service and management fee income	5	842 000	763 000
Sum inntekter		**842 000**	**763 000**
Kostnader			
Salaries and social expenses	6	1 780 000	1 327 000
Group adminstrative services	5	1 299 000	1 232 000
Other operating and administration expenses	2	650 000	647 000
Sum kostnader		**3 729 000**	**3 206 000**
Driftsresultat		**-2 887 000**	**-2 443 000**
Finansinntekter og finanskostnader			
Finance income	9	9 652 000	9 152 000
Sum finansinntekter		**9 652 000**	**9 152 000**
Finance expenses	9	5 828 000	8 421 000
Sum finanskostnader		**5 828 000**	**8 421 000**
Netto finans		**3 824 000**	**731 000**
Ordinært resultat før skattekostnad		**937 000**	**-1 712 000**
Income tax expenses	7	-1 848 000	-1 810 000
Ordinært resultat etter skattekostnad		**2 785 000**	**98 000**
Årsresultat		**2 785 000**	**98 000**
Net movement fair value on cross-currency interest rate swaps (CCIRS)		-404 000	-5 379 000
Reclassification to profit and loss (CCIRS)		2 773 000	2 917 000
Sum resultatkomponenter for IFRS-foretak		2 369 000	-2 462 000
Totalresultat		**5 154 000**	**-2 364 000**
Overføringer og disponeringer			
Profit/loss for the year		5 154 000	2 364 000

Resultatregnskap

Beløp i: USD	Note	2021	2020
Sum overføringer og disponeringer		**5 154 000**	**2 364 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	3	263 357 000	253 649 000
Lån til foretak i samme konsern	5	15 000 000	6 500 000
Financial assets	8	2 556 000	2 917 000
Other long term receivables	5	70 000	70 000
Sum finansielle anleggsmidler		**280 983 000**	**263 136 000**
Sum anleggsmidler		**280 983 000**	**263 136 000**
Omløpsmidler			
Varer			
Inventories		166 000	166 000
Sum varer		**166 000**	**166 000**
Fordringer			
Trade receivables and other current assets		77 000	179 000
Short term loan to related parties	5	6 465 000	7 510 000
Short term receivables from related parties	5	44 000	3 827 000
Sum fordringer		**6 586 000**	**11 516 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	4	21 029 000	15 004 000
Sum bankinnskudd, kontanter og lignende		**21 029 000**	**15 004 000**
Sum omløpsmidler		**27 781 000**	**26 686 000**
SUM EIENDELER		**308 764 000**	**289 822 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			

Balanse

Beløp i: USD	Note	2021	2020
Innskutt egenkapital			
Share capital	Group 18	6 234 000	5 724 000
Overkurs		243 054 000	219 478 000
Annen innskutt egenkapital		-330 000	-2 699 000
Sum innskutt egenkapital		**248 958 000**	**222 503 000**
Opptjent egenkapital			
Retained earnings		-26 077 000	-16 100 000
Sum opptjent egenkapital		**-26 077 000**	**-16 100 000**
Sum egenkapital		**222 881 000**	**206 403 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	8	78 205 000	80 649 000
Financial liabilities	8	43 000	
Sum annen langsiktig gjeld		**78 248 000**	**80 649 000**
Sum langsiktig gjeld		**78 248 000**	**80 649 000**
Kortsiktig gjeld			
Kortsiktig konserngjeld	5	1 099 000	180 000
Trade and other payables		6 536 000	2 590 000
Sum kortsiktig gjeld		**7 635 000**	**2 770 000**
Sum gjeld		**85 883 000**	**83 419 000**
SUM EGENKAPITAL OG GJELD		**308 764 000**	**289 822 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Freight revenue	3	155 564 000	142 289 000
Charter hire revenue	3	41 909 000	20 442 000
Other revenue	3	482 000	0
Gain on sale of vessels	3,9	6 360 000	
Other income	3	1 422 000	
Sum inntekter		**205 737 000**	**162 731 000**
Kostnader			
Voyage expenses	4	82 087 000	71 591 000
Salaries and social expenses	7	2 374 000	1 327 000
Ordinary depreciation	9	28 666 000	19 155 000
Operating expenses, vessels	5	49 212 000	37 193 000
Group commercial and administrative services	19	3 709 000	3 538 000
Tonnage tax	21	221 000	180 000
Other operating and administrative expenses	6,7	1 069 000	776 000
Sum kostnader		**167 338 000**	**133 760 000**
Driftsresultat		**38 399 000**	**28 971 000**
Finansinntekter og finanskostnader			
Finance income	8	74 000	529 000
Sum finansinntekter		**74 000**	**529 000**
Finance costs	8	15 866 000	14 317 000
Sum finanskostnader		**15 866 000**	**14 317 000**
Netto finans		**-15 792 000**	**-13 788 000**
Ordinært resultat før skattekostnad		**22 607 000**	**15 183 000**
Income tax expenses	22	7 000	0
Ordinært resultat etter skattekostnad		**22 600 000**	**15 183 000**
Årsresultat		**22 600 000**	**15 183 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
Net movement fair value on cross-currency interest rate swaps (CCIRS)	13	-404 000	1 253 000
Reclassification to profit and loss (CCIRS)		2 773 000	-3 715 000
Net movement fair value on interest rate swaps	13	4 500 000	-2 491 000
Net movement fair value bunker hedge	13	-69 000	87 000
Net movement fair value FFA hedge	13	-7 730 000	-1 814 000
Net changes on cost of hedging FFA hedge	13	-714 000	0
Sum resultatkomponenter for IFRS-foretak		-1 644 000	-6 680 000
Totalresultat		**20 956 000**	**8 503 000**
Overføringer og disponeringer			
Profit/loss for the year		20 955 000	8 503 000
Sum overføringer og disponeringer		**20 955 000**	**8 503 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Vessels	9	536 864 000	404 258 000
Newbuilding contracts	10	0	48 441 000
Right-of-use assets	11	1 553 000	1 672 000
Sum varige driftsmidler		**538 417 000**	**454 371 000**
Finansielle anleggsmidler			
Long-term receivables	7	70 000	70 000
Long-term financial assets	13	4 048 000	3 427 000
Sum finansielle anleggsmidler		**4 118 000**	**3 497 000**
Sum anleggsmidler		**542 535 000**	**457 868 000**
Omløpsmidler			
Varer			
Inventories	12	12 279 000	6 159 000
Sum varer		**12 279 000**	**6 159 000**
Fordringer			
Trade receivables and other current assets	14	18 484 000	18 501 000
Short-term financial assets	13	678 000	87 000
Konsernfordringer	19	2 018 000	743 000
Sum fordringer		**21 180 000**	**19 331 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	15	53 937 000	65 685 000
Sum bankinnskudd, kontanter og lignende		**53 937 000**	**65 685 000**
Sum omløpsmidler		**87 396 000**	**91 175 000**
SUM EIENDELER		**629 931 000**	**549 043 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	18	6 235 000	5 725 000
Overkurs		153 732 000	130 155 000
Annen innskutt egenkapital		-8 154 000	-6 511 000
Sum innskutt egenkapital		**151 813 000**	**129 369 000**
Opptjent egenkapital			
Retained earnings	17	102 605 000	87 162 000
Sum opptjent egenkapital		**102 605 000**	**87 162 000**
Sum egenkapital		**254 418 000**	**216 531 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	13	78 205 000	80 649 000
Gjeld til kredittinstitusjoner	13	249 993 000	206 813 000
long-term financial liabilites	13	2 017 000	5 409 000
Long-term lease liabilities		1 008 000	1 239 000
Sum annen langsiktig gjeld		**331 223 000**	**294 110 000**
Sum langsiktig gjeld		**331 223 000**	**294 110 000**
Kortsiktig gjeld			
Short-term mortgage dept	13	23 936 000	22 473 000
Interest bearing liabilities	13	2 409 000	0
Tax liabilities	21	233 000	175 000
Kortsiktig konserngjeld	19	895 000	1 339 000
Short-term financial liabilities	13	0	757 000
Short-term lease liabilities		618 000	493 000
Trade and other payables		16 199 000	13 165 000
Sum kortsiktig gjeld		**44 290 000**	**38 402 000**
Sum gjeld		**375 513 000**	**332 512 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
SUM EGENKAPITAL OG GJELD		**629 931 000**	**549 043 000**

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List of Signatures
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Name	Method	Signed at
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Annual Report
2021
Klaveness
Combination Carriers

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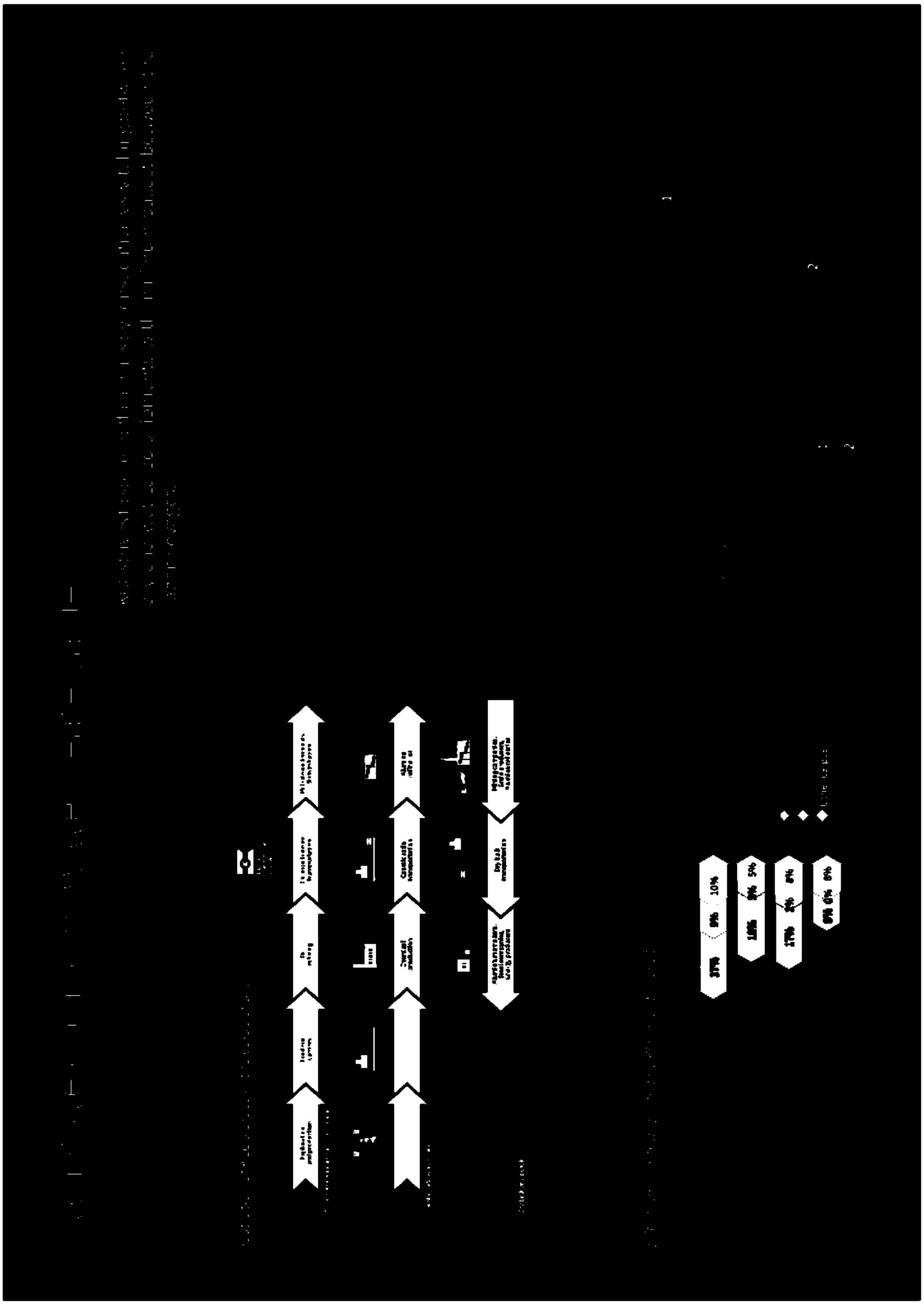



Carbon intensity
EEOI 7.4
0% Y-o-Y
CO_2/vessel
18,800 tons
-8% Y-o-Y
• Sustainability-linked COA signed
• USD 25 million equity issued to fund energy efficiency initiatives
• Sustainability-linked bank facility signed
CDP
DISCLOSER
2021
Score: B
LTIF 0.6
-76% Y-o-Y
Target < 1
0
COVID-19 infections on-board
Average high-risk SIRE observations
1.9
0% Y-o-Y
Target < 2
26
Demands for and avoided facilitation payments
0
confirmed incidents of corruption
Online
whistleblowing channel
launched, open for external parties
Low carbon future
Decarbonization is the main task of our generation
We aim to be a driver in the transition towards low carbon shipping through our own fleet, new solutions and close co-operations with customers, suppliers and other stakeholders
Area of focus
Emission reductions from our vessels
Always safe and secure
Safety is priority number one
Our goal is that no one shall be injured doing work for Klaveness. Everyday we work to improve our safety performance, believing that operational accidents are preventable
Area of focus
Crew health and safety
Vessel safety
Spills to the environment
Human capital development
Trusted and responsible partner
We set high standards on how we conduct our business
We strive to have a high level of corporate governance securing predictability and transparency for all stakeholders.
Area of focus
Anti-corruption and business ethics
Responsible ship recycling

› Future bound

Letter from the CEO

2021 has been a year where Klaveness Combination Carriers ASA (KCC) has passed a number of important milestones while experiencing many operational challenges from increasing port congestions and COVID-19 related restrictions.

We took delivery of the eight and last CLEANBU newbuilding, MV Balzani, in May 2021 marking the end of KCC's newbuilding program where we have taken delivery of in total eleven CABU and CLEANBU newbuildings over the five years period 2016-2021. With the full fleet on water from July 2021, a new chapter has begun for our company.

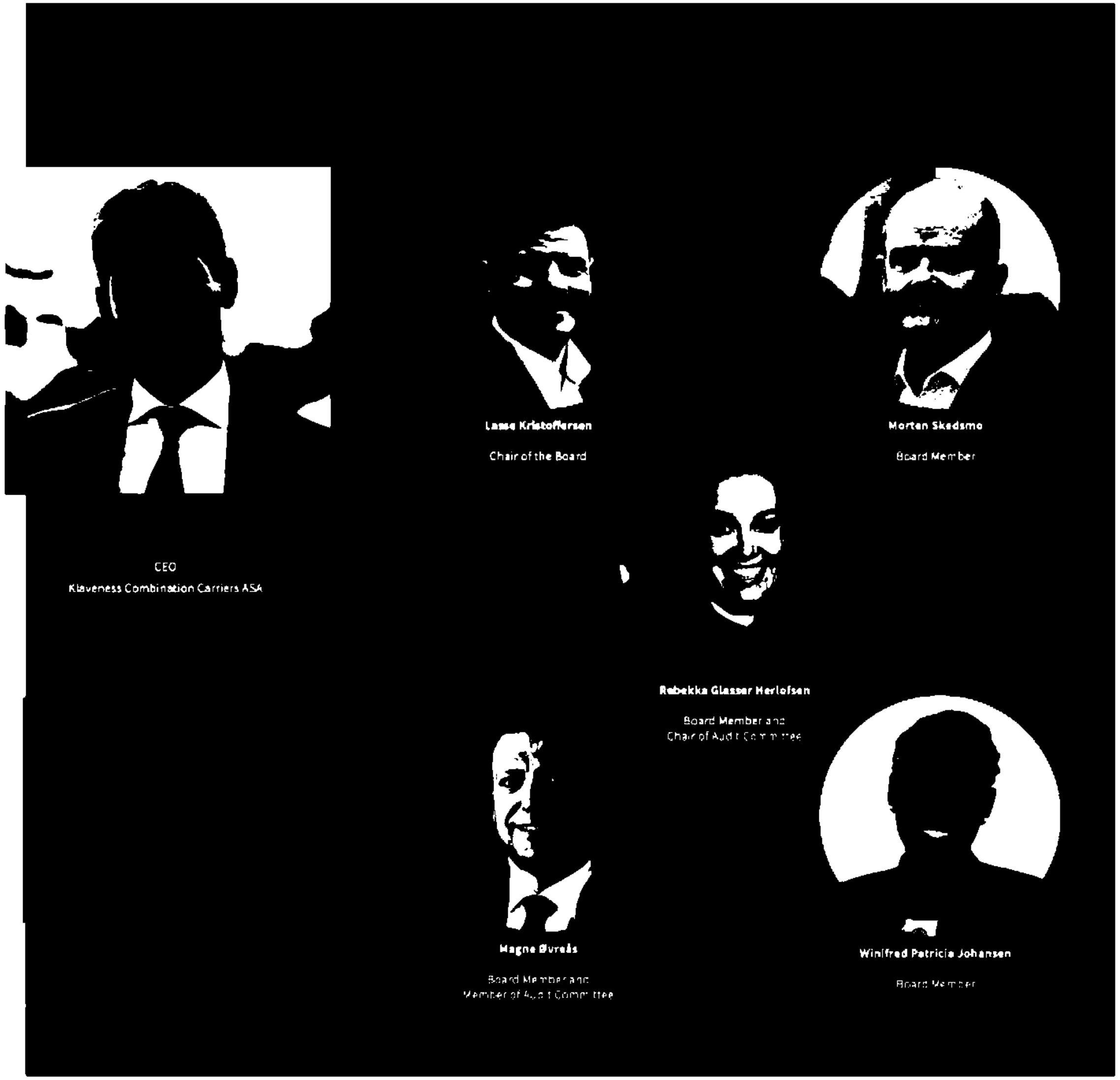
The COVID-19 situation has continued to severely affect the daily lives of our seafarers and the operation of our fleet. KCC and its ship manager Klaveness Ship Management (KSM) has spared no efforts to minimize the effects of the COVID-19 situation for our seafarers including securing repatriation of seafarers with minimal delays after the end of their service period onboard and minimizing risks of COVID19 contamination from shore. We have through frequent vessel deviations carried through a high share of planned crew changes without delays and there have been no COVID-19 cases onboard our vessels in 2021. We are also pleased to have maintained a high quality service to our customers throughout the year with a 92% on-time performance in tanker mode in 2021.

Our business model continued to prove its strength in the past year. The flexibility of our combination carriers, servicing both tanker and dry bulk trades, and our efficient combination trading, have made it possible to both take benefit of the strong dry bulk market from early last spring and limit the worst negative effects of a historical weak tanker market. While maintaining a high proportion of our fleet in combi-trading, we temporarily allocated more capacity into the dry bulk market during part of the year when the tanker market was at its most depressed levels. We also used the strong dry bulk market to continue renewing of our CABU fleet, by selling our oldest CABU vessel, MV Banasol, built January 2001, as a dry bulk vessel during Q4-2021. 2021 result before tax ended at USD 22.4 million, including a sales gain of USD 6.4 million.

The pressure on the shipping industry to decarbonize its business has increased further in 2021. IMO's short term measures were approved at the MEPC76 meeting in June and the EU Commission presented its proposal for including shipping into its ETS scheme in July. We believe this is just the start of a development with ever stricter international regulations and customer requirements for the shipping industry. In KCC we are scrutinizing every possibility to improve carbon efficiency across our business to prepare for this development and to improve our lead as the lowest carbon shipping provider in the tanker and dry bulk market. In KCC we start to see positive results from our efforts with an around 9% improvement in average CO_2 emission per vessel in 2021 relative to 2020. As part of our energy efficiency improvement program, we raised USD 25 million new equity in November 2021 which will be allocated exclusively for these efforts which are described in more detailed in our 3rd Sustainability report released together with this Annual Report.

The first quarter of 2022 has been marked by the sad and incomprehensible Russian invasion of Ukraine severely impacting both commodity and shipping markets. While the immediate effect on KCC's markets is positive, the medium-term outlook for both the tanker and dry bulk market is more uncertain with possible negative demand effects from spiking commodity feeding through the world economy. KCC's business model remains more resilient to these uncertainties than standard shipping with its efficient trading pattern based, strong customer relations and freight contracts, positive diversification effects from three markets and a strong balance sheet.

We are future bound!



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› Board of Directors' report 2021

Key developments 2021 and future priorities

Klaveness Combination Carriers (KCC, Company, Group) delivered a record strong financial result for 2021 despite a challenging tanker market and continued operational challenges related to COVID-19. 2021 was another year where KCC demonstrated the value of flexibility and diversification through its combination carrier concept.

The CABU fleet delivered the highest TCE earnings since 2015 on the back of high caustic soda volumes and strong dry bulk markets. The 2001-built CABU vessel, MV Banasol, was sold as a dry bulk vessel and delivered to new owners in December 2021, with a positive effect on profit and cash.

The CLEANBU fleet continued to expand its activities. A milestone was achieved in July 2021 as KCC secured clean petroleum product (CPP) contract of affreightment (COA) with one of the main players in the industry. Despite an increase in share of days in combination trading and improved ballast percentage, TCE earnings decreased year-on-year because of the weaker tanker market in 2021. Three CLEANBU newbuilds were delivered in 2021 marking the end of this newbuild program.

COVID-19 continued to impact KCC's operations in 2021 mainly in relation to delivery of newbuilds and crew changes. No vessels experienced any infection cases onboard in 2021.

As a result of several initiatives made across KCC's business over the recent years, KCC made good headway on its environmental performance during 2021. While the carbon intensity (EEOI) for the fleet was stable compared to 2020 at 7.4, average CO2 emissions per vessel decreased by 9% to 18,800 mt. KCC in 2021 submitted for the first time to CDP and received a score B in the category "climate change".

KCC believes that a key challenge and opportunity for the shipping industry going forward is decarbonization. KCC raised USD 25 million in equity in November 2021 to fund energy efficiency measures on the existing fleet and the ambition is to deliver sizeable cuts in emissions over the next years.

People, health and safety[1]

KCC's main priority is to keep the crew safe and any injury or loss of lives are unacceptable. Despite our efforts, we are not always able to live up to targets and it is with great sadness we report that a deck cadet tragically lost his life after a fall accident on board one of the CLEANBU vessels in 2021. This has been investigated in full and revealed no breach in safety procedures or systems. However, several actions have been implemented fleet-wide based on the accident and the investigation.

The Lost Time Incident Frequency (LTIF) on the combination carriers, measured by every 1 million working hours, was reduced from 2.5 in 2020 to 0.6 in 2021, within the target of KCC. The improvement is mainly a result of a comprehensive safety culture program referred to as "Klaveness Always Safe and Secure" (KLASS)[2].

The COVID-19 pandemic had significant impact in 2021 as in 2020. Priority number one through the COVID-19 pandemic has been to avoid crew from being infected. Due to extensive measures taken, KCC did not experience any infection cases onboard in 2021. The main COVID-19 related challenges were taking delivery of newbuilds in China and limited possibilities for crew changes during operation. Focus during the year was on repatriating crew at the end of their service period without delays.

At year-end 2021, 13% of KCC's crew was on extended contracts but non above 12 months. Crew mental health has been a focus area during the pandemic and the ship manager Klaveness Ship Management AS (KSM) has implemented several initiatives to support the crew in relation to their mental health.

In 2021, there were 31 vetting inspections of the CABU and CLEANBU combination carriers. Average number of high-risk observations[3] per inspection for the Ship Inspection Report Programme (SIRE) vettings were 1.9, stable compared to 2021 and better than the target of 2. The fleet went through 33 Port State Controls in 2021 without any detentions. Average number of deficiencies per inspection was 0.7, a 42% improvement from 2020, but still slightly above the target of 0.5.

The piracy risk in the Persian Gulf/Gulf of Oman eased in 2021. The threat for merchant vessels is considered moderate by Den Norske Krigsforsikring for Skib (DNK). No approaches or boarding attempts were reported for KCC vessels in 2021.

By the end of 2021, KCC had nine employees located in Oslo and Singapore. The work environment is good. Women represented 33% of the workforce (2020: 33%) and absence due to sick leave was satisfactory, averaging 0.29 % for the Group in 2021 (0.69% in 2020)[4]. COVID-19 and consequent measures have also in 2021 put additional pressure on all employees and on-shore personnel worked from home office for substantial parts of the year.

KCC is dedicated to ensuring equal opportunities for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability or social status (read more in the Code of Conduct available on www.combinationcarriers.com).

Sustainability

Decarbonization is the main task of our generation and a central pillar in the KCC strategy. KCC aims at being a shaper in the transition towards low carbon shipping through its fleet, being at the forefront of introducing new solutions, and by working in close cooperation with customers, suppliers, and other stakeholders.

The regulatory push for shipping decarbonization continued, most notably through the inclusion of shipping in the EU emission trading scheme as of 2023. Progress in the International Maritime Organization (IMO) remains slow, but 2021 produced consensus on the need to strengthen the initial greenhouse gas (GHG) strategy. KCC has been outspoken in support of a strategy that aligns shipping emissions with the 1.5C target in the Paris Agreement, and it is encouraging to see that the shipping industry now starts rallying behind the introduction of a meaningful carbon levy in the IMO. In 2021, the IMO also agreed to start rating vessels on energy efficiency as of 2023 and to require compliance with an energy efficiency index for existing ships.

KCC aims at having a carbon neutral operation within 2030 and to reach a zero-emission operation by 2050. In addition, KCC has short-term emission reduction ambitions for 2022, including a reduction of 15% in absolute emissions per vessel compared to actual 2018 and a 25% reduction in carbon intensity Energy Efficiency Operational Indicator (EEOI) compared to actual 2018. This would reach IMO's 2030 carbon intensity target in 2022. While KCC is well on track to meet its CO2 emission reduction target, the EEOI-target for 2022 will likely not be met for the entire fleet. Part of the fleet looks, however, likely to have an EEOI in line with or below this target in 2022.

In November 2021, KCC raised USD 25 million in equity to fund energy efficiency initiatives on its existing fleet. Initiatives such as the Becker Mewis Ducts, Wartsila EnergoProFins and Shipshave ITCH have been tested and/or implemented on part of the fleet during 2021 and additional measures will be implemented over the next years.

KCC is committed to full transparency on its environmental strategy, targets, and performance. The Sustainability Report for 2021 is aligned with the Global Reporting Initiative Standards (GRI) Core option and the Task Force on Climate-related Financial Disclosures (TCFD)[1]. In its first year of submitting to the CDP, KCC achieved a B score in the category "climate change".

KCC adheres to the Hong Kong Convention and the EU Ship Recycling Regulation. No ships were sold for recycling in 2021.

Financial results

Financial results
Profit for the year ended at USD 22.6 million for 2021, up from USD 19.3 million in 2020. The 2021 profit includes gain from sale of MV Banasol and repayment of equity from Den Norske Krigsforsikring, in total USD 7.8 million. Delivery of three newbuilds in the first half of 2021 was challenging during the pandemic with extra costs and delayed start of trading. Total COVID-19 effects are estimated to be approximately USD 6.3 million in lost earnings and higher than normal costs for 2021, of which approximately 45% of the impact related to delivery of the newbuilds.

Net revenues from operation of vessels increased by 27% from USD 91.1 million in 2020 to USD 115.9 million in 2021, mainly driven by a larger fleet. Average TCE earnings[2] of $20,961/day for the fleet for 2021 ended in line with 2020, however the underlying markets were substantially different with a strong dry bulk market and weak tanker market in 2021 and the opposite in 2020.

CABU TCE earnings increased by almost $1,700/day in 2021 and ended at $21,571/day in 2021, a multiple of 3.4 to standard spot earnings for MR tankers in 2021 as reported by brokers[3]. The main drivers were a strong dry bulk market and a high contract coverage for caustic soda shipments.

Average TCE earnings for the CLEANBU fleet for 2021 ended at $20,196/day for the year, a multiple of 1.9 to standard spot earnings for standard LR1-tankers[4] in 2020 as reported by brokers. Earnings ended approximately $3,650/day lower than in 2020 due to fixing of three vessels on tanker time charters at the market peak in second quarter of 2020.

Operating expenses increased from USD 37.2 million in 2020 to USD 49.2 million in 2021 mainly due to a larger fleet. COVID-19 impacts on operating expenses (crew costs, deviations, forwarding cost for spare parts and supplies) for 2021 was in line with 2020.

Administrative costs for 2021 of USD 7.3 million was up by 22% compared to 2020 (USD 5.8 million) mainly due to higher activity and project team costs being accounted for over profit and loss and not capitalized on vessels as in 2020.

Based on solid earnings for the fleet, 2021 turned out to be a strong year for the Group with an Operating profit before depreciations (EBITDA) of USD 67.1 million (2020: USD 48.1 million). The increase is mainly driven by a larger CLEANBU fleet representing an increase of 3.4 vessel-years compared to 2020 and gain from sale of the CABU vessel, MV Banasol.

Depreciation increased from USD 19.2 million in 2020 to USD 28.7 million in 2021 and net financial result in 2021 ended at negative USD 15.8 million compared to negative USD 13.4 million in 2020, both mainly driven by a larger fleet.

Financial position
At year-end 2021, the consolidated book equity was USD 284.4 million (2020: USD 216.5 million), corresponding to a book equity ratio of 40% (2020: 39%). Total interest-bearing debt ended at USD 354.5 million at the end of 2021, up from USD 309.9 million at year-end 2020. Cash and cash equivalents ended at USD 53.9 million against USD 65.7 million as of 31 December 2020 and total assets were up from USD 549.0 million to USD 629.9 million. Delivery of the three last CLEANBUs in 2021 impacts the equity ratio, interest-bearing debt, total assets and cash development.

Cash flow
Net cash flow from operating activities was USD 45.8 million in 2021 (2020: USD 38.5 million) due to positive EBITDA offset by negative changes in working capital and non-cash effect gain on sale of vessels. Net cash flow from investments was negative USD 105.9 million (2020: negative 92.9 million) due to dry dock costs for four CABU vessels and yard instalments and other costs related to the newbuilding program partly off-set by cash proceeds from sale of vessels. The cash flow from financing activities was positive USD 46.3 million (2020: USD 63.8 million) whereof proceeds from equity raise and mortgage debt exceed debt repayment, interests and paid out dividends.

Dividends
KCC paid USD 7.2 million (2020: USD 4.8 million) in dividends to shareholders in 2021, equal to USD 0.15 per share (2020: USD 0.10 per share).

Financing and going concern
KCC's capital commitments are fully funded, and the refinancing risk is limited over the next year as the first mortgage debt facility falls due in December 2023. During the year, the Group refinanced a bank facility into a senior secured sustainability linked term loan credit facility to finance the six newest CABU vessels. A 364-days overdraft facility was renewed in 2021.

The accounts are reported under the assumption of a going concern. The Board considers the financial position of the Group at year-end 2021 to be solid and the liquidity to be satisfactory. Current cash flow, existing and committed debt and liquidity position for the Group are considered sufficient to cover all commitments.

There have been no major transactions or events following the closing date that would have a negative impact on the evaluation of the financial position of Klaveness Combination Carriers.

Related parties' transactions
KCC purchases services related to business administration, ship management, project management and commercial operations from related parties in the Torvald Klaveness Group. All services are priced on arm's length basis and related party transactions and services have during 2021 been included as a recurring item in most of the Audit Committee meetings. The services are benchmarked on an annual basis and the benchmark is presented to the Board of Directors[5]. See note 19 to the Financial Statements for 2021 for more information on related party transactions.

The parent company
The result for the parent company, Klaveness Combination Carriers ASA, was a profit after tax of USD 2.8 million for 2021 (2020: profit USD 0.1 million). The profit is proposed transferred to other equity. The Board of Directors has proposed dividends of USD 5.2 million for Q4 2021 which has been booked as a provision in the accounts as per 31 December 2021.

Events after the balance sheet date
KCC has received the news of the Russian invasion of Ukraine with shock and sadness. KCC has no exposure to Russia or Belarus and has decided to not conduct any business with companies owned or controlled by Russian or Belarusian interests. Further, KCC has exempted all Russian ports, in addition to the war zone in the Black Sea.

On 17 February 2022, the Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 5.2 million (USD 0.10 per share).

[1] The vessels are on ship management to Klaveness Ship Management AS
[2] Please find more information on Safety Performance in the Sustainability Report for 2021
[3] High risk observation is an internal definition of a significant legislative, safety or pollution risk
[4] More employee information in note 7 to the Financial Statements for 2021.

[1] Read more in the Sustainability Report for 2021 published on www.combinationcarriers.com.
[2] Average TCE earnings is an alternative Performance Measure (APM); see reconciliation in published Q4 2021 report appendix 1 (page 26).
[3] Average MR TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[4] Average LR1 TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[5] Detailed information of related party transactions described in note 18 to the Financial Statements for 2021.

The business

The objective of Klaveness Combination Carriers is to provide transportation for dry bulk, chemical and product tanker clients, as well as to develop new investment and acquisition opportunities that fit with the Group's existing business platform. The Group had a fleet of 16 vessels in operation at year-end 2021. KCC's registered business address is Drammensveien 260, 0283 Oslo, Norway.

The shares are listed on Oslo Stock Exchange with ticker KCC. The ten largest shareholders account for 87.2% of total shares, of which the largest shareholder is Rederiaksjeselskapet Torvald Klaveness with an ownership of 53.8%.

CABU
By year-end 2021, the CABU combination carrier fleet consisted of eight vessels. To optimize earnings in the strong dry bulk market one CABU vessel was reallocated from combination trades to/from Brazil to the dry bulk market and was employed in the MaruKlav Baumarine Panamax dry bulk pool from late August until the end of the year. The CABU service to/from Brazil was terminated from the end of 2021 mainly because of decreasing north bound dry bulk volumes over the last years.

Following the sale of MV Banasol and return of one vessel from the MaruKlav Baumarine Panamax dry bulk pool, all eight vessels will from April/May 2022 be employed in trades to/from Australia, where the CABU fleet over time has generated the highest earnings.

The share of days in main combination trades ended at 69% for 2021, down from 75% in 2020. The CABU's faced some scheduling challenges through the year with increasing port congestion in the Far East and negative effects of a tight CSS market. To maintain on-time service to the caustic soda customers, CLEANBU vessels lifted seven CSS cargoes in 2021. Consequently, CABU fleet capacity was reallocated to dry bulk trading, explaining a lower-than-normal share of days in combination trade.

Four vessels were dry-docked in 2021 with in total 143 scheduled off-hire days. Unscheduled off-hire ended at 48 days, down from 77 days in 2020, mainly due to less COVID-19 related off-hire from quarantine.

The CABU wet capacity is to a high degree based on freight contracts with long-term COA relations. The caustic soda contract booking for 2022 is high with a contract coverage for first half of 2022 of 88% (71% fixed rate coverage), and 69% (58% fixed rate coverage) for second half.

CLEANBU
Following the delivery of the eighth and last CLEANBU vessel in May 2021, the full CLEANBU fleet was in operation from the third quarter of 2021.

The primary focus for 2021 was to expand the customer base and employ the vessels in efficient combination trades. The number of trades, terminals, cargoes, and customers have increased through 2021 and in July 2021, KCC reached a milestone when signing a new contract of affreightment for its CLEANBU fleet with a major international charterer in the tanker market.

The share of days in main combination trades strengthened through the year and ended at an average of 66% for 2021, up from 59% in 2020. Off-hire was 105 days, whereof 80 days related to guarantee repairs for Barramundi and waiting related to a cancelled dry-dock.

The delivery and takeover of the CLEANBU vessels from the shipyard in China were impacted by the COVID-19 pandemic in 2021 as in 2020. It was not possible to get KCC's crew into China, hence Chinese crew were employed to sail the three delivered newbuilds to South Korea for crew change. Phase-in of the three CLEANBUs in first half of 2021 took in average 40 days from delivery from yard until start of trading.

Market developments and outlook

Earnings of KCC's combination carriers are driven by the Panamax dry bulk market, MR and LR1 product tanker markets and fuel markets.

Freight rates for global seaborne transportation is highly volatile and cyclical. The demand for global seaborne transportation depends on global economic growth, and in particular the development in the energy and commodities markets.

In 2021 the dry bulk market delivered strong earnings driven by solid demand growth and fleet inefficiencies, while product tanker earnings remained muted as oil consumption and production is still recovering from the COVID-19 pandemic.

The 2022 outlook remains solid for both dry bulk and product tanker rates as demand growth is expected to outpace that of supply. However, the outlook remains uncertain. For example, disruptions of trade and commodities flows and impact on economic growth due to the Russian invasion of Ukraine, the COVID-19 pandemic, rising inflation and the global energy crunch can all have material impact on the demand for seaborne transportation.

Dry bulk market
Dry bulk freight rebounded strongly in 2021 and delivered the highest earnings since 2008 with an average P5TC[10] of $26,738/day. The global dry bulk demand growth accelerated from 2.1% in 2020 to 4.5% in 2021 according to Klaveness Research, while the nominal growth in the dry bulk fleet was 3.5% in 2021, down from 3.9% in 2020.

Despite volatility, dry bulk freight rates are expected to remain at elevated levels in 2022. The fleet is expected to grow by 2.1% in 2022 and fleet inefficiency, such as congestion, is expected to continue to reduce the availability of vessels. The order book to fleet ratio is low and overall speed reduction for the fleet is expected in the coming years due to introduction of new emissions IMO regulations from 2023. This will likely keep the fleet growth low for several years.

On the demand side the growth in demand for commodities are expected to remain resilient. High commodity prices will incentivize exporters to produce and to ship as much as possible in the seaborne market.

Specifically, the long-distance Brazilian iron ore trade is expected to grow while minor bulks will remain supported by a continued recovery in global industrial production and strong container rates leading to an influx of cargoes that normally would be containerised. Furthermore, the Bauxite trade is likely to grow driven by production expansion in Guinea.

For the coal and grains trade the ongoing invasion of Ukraine by Russia is expected to have significant impact. The EU will likely reduce Russian coal purchases while other regions will ramp up. The demand effect, although highly uncertain, is expected to be positive as the increase in average sailing distance will offset lower volumes.

The loss of grains exports from the Black Sea is expected to have negative effect on demand. The negative effect of lost volumes can only partly be offset by increased exports in other regions and increased sailing distances.

Product tanker market
2021 was an overall weak year for product tankers. The 2021 average TC5 TCE[11] ended at around $6,200/day, down from $19,400/day in 2020. Product tanker demand increased by 6%[12] from 2020 to 2021 but is still well below 2019 and 2018 levels. Hence over-capacity in the product tanker market persisted. Product tanker earnings were as well negatively impacted by increased competition from crude tanker newbuilds lifting CPP cargoes in response to the low rates for crude tankers and destocking of oil inventories.

Consumption increased quarter-over-quarter during the year as travel restrictions in Europe and US were relaxed into the summer and autumn and oil consumption in 2021 is estimated to be around 97.5mn bbl/day, while the consumption increased to around 101.0mn bbl/day at the end of 2021[13].

The outlook for the product tanker market remains strong with low fleet growth and solid demand growth.

On the demand side oil consumption has increased to just shy of pre-COVID levels and is expected to grow further during 2022. Oil production is expected to expand as the Organization of the Petroleum Exporting Countries (OPEC+) is expected to increase production quotas by 400,000 bbl/day per month until September 2022. Commercial crude oil and refined products inventories are at multi-year lows and further refinery dislocations will continue to drive ton-mile demand for product tankers.

When it comes to the ongoing Russian invasion of Ukraine it is still unknown what the market impact will be for product tankers. Initially arbitrage opportunities have emerged with elevated product prices in Europe causing freight rates to increase. It is highly uncertain if these can persist over time and if they can make up for lost Russian volumes.

Clarksons expects product tanker demand to grow 7% in 2022. On the supply side the product tanker orderbook is limited with book-to-fleet ratio at around 5% and an expected supply growth of 1% in 2022.

Fuel market
Oil prices increased by around 50% during 2021 from around USD 52/bbl to around USD 78/bbl. Strong demand growth during the year combined with lagging production and inventory drawdowns have left the oil markets in a tight supply/demand situation. Average VLSFO prices ended at around USD 520/mt in 2021 compared to USD340/mt 2020. Fuel prices have risen significantly year-to-date, reaching around USD 800m/mt by the middle of March.

Risk review and risk management

It is important for the Board of Directors that the right risk reward assessment is made and that internal control routines are good. Main risks related to KCC are discussed with the Audit Committee and the Board of Directors on a quarterly basis. Risks are identified and assessed based on a probability and impact matrix and mitigating actions are outlined for the main risks. Risks related to vessel technical operation and crew safety are assessed, monitored and handled by the ship manager, Klaveness Ship Management AS.

Below is a list of some of the principal risks identified that may effect business operations, reputation, financial condition, results of operations and, ultimately share price. A description of the risks can be found in note 16 to the Financial Statements for 2021. Please be reminded that the risk picture will change over time and based on events.

- Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks, including but not limited to building experience, trades and brand in the clean petroleum market and obtaining acceptance and/or exemptions from clients and terminals to operate in combination trades where the vessels trade consecutively with dry bulk and clean petroleum product (CPP) cargoes
- Dependency on a limited number of customers and renewal of key/material contracts of affreightment for caustic soda
- Volatile freight rates and unfavourable changes in trade flows and volumes, either structurally or due to events such as impact on market of the Russian invasion of Ukraine

In a longer-term perspective, the current assessment includes the following risks. A description of the risks can be found in note 16 to the Financial Statements for 2021 and in the climate-related risk chapter in the Sustainability Report for 2021:

- Global economic growth and the impact on energy and commodity markets
- Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels

Board development

The Board of Directors held ten meetings in 2021, whereof four related to quarterly reports only, with an attendance of 100% percent and the Audit Committee held six meetings. The Board of Directors consists of five members, whereof two women. Winifred Patricia Johansen joined, while Lori Wheeler Næss stepped down during 2021. The Company's Officers and Directors are covered by Rederiaksjeselskapet Torvald Klaveness' Commercial Management Liability Insurance with AXA.

The Board of Directors has an annual plan. It includes recurring topics such as strategy review, business planning, risk and compliance oversight, financial reporting as well as reporting on Health, Safety and Environment. High on the Board's agenda in 2021 was the delivery and phase-in of CLEANBU vessels, optimizing the CABU business by selling a vessel and focusing trading to Brazil, and pursuing investments in energy efficiency measures to meeting KCC's ambitious emissions reduction targets.

This report contains certain forward-looking statements that involve risks and uncertainties. The forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations. You should therefore not place undue reliance on forward looking statements.

Oslo, 31 December 2021
Oslo, 28 March 2022

Lasse Kristoffersen	Engebret Dahm	Winifred Patricia Johansen
Chair of the Board	CEO	Board member
Magne Øvreås	Rebekka Glasser Herlofsen	Morten Skedsmo
Board member	Board member	Board member

10 Komsenmax Source: Baltic Exchange
11 LR1 Middle East to Japan as reported by Baltic Exchange
12 Source: Clarksons Shipping Intelligence Network
13 Source: U.S. Energy Information Administration Short-Term Energy Outlook March 2022

Corporate Governance Report

Klaveness Combination Carriers ASA ("KCC" or the "Company") strives to protect and enhance shareholder values through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in KCC.

The corporate governance principles of the Company are adopted by the Board of Directors of Klaveness Combination Carriers ASA (the Board). The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the «Code of Practice»). The below description follows the same structure as the Code of Practice and covers all sections thereof.

The corporate governance report follows the "comply and explain" principles. Where KCC does not fully comply with the Code of Practice, an explanation of the reason for the deviation and what solution the Company has selected has been included.

Deviations from the Norwegian code of practice for corporate governance

In the Board of Directors' assessment, KCC has two minor deviations from the Code of Practice:

Section 3, Equity and dividends

KCC has one deviation from this section:
"The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends should be explained": The background for the authorisation to the Board of Directors to approve distribution of dividends was not explained in the AGM[1] in 2021, the reason being that the Company has an established and disclosed dividend policy as basis for the Board of Directors' dividend assessment.

Section 6, General meetings

KCC has one deviation from this section:
"Ensure that the members of the Board of Directors … attend the General Meeting": All Board members have historically not been present at the General Meetings. Matters under consideration at the General Meeting of Shareholders have not previously required this. The Chair of the Board of Directors is always present at the meeting. Other board members participate as needed. The Board of Directors considers this to be adequate.

1. Implementation and reporting on Corporate Governance

The Board of Directors ensures that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles also contribute to ensure that the activities of the Company are subject to adequate controls. An appropriate distribution of roles and adequate controls contribute to the largest possible value creation over time, for the benefit of the shareholders and other stakeholders.

The Company maintains a high ethical standard in its business concept and relations with customers, suppliers, employees and other stakeholders. Klaveness Code of Conduct (published on www.combinationcarriers.com) applies to the Company and all services provided to the Company under service or management agreements between the Company or any of its subsidiaries and Torvald Klaveness companies.

No deviations from the Code of Practice.

2. Business

According to the Company's articles of association, its purpose is to invest in- and operate wet- and dry bulk combination carriers and everything associated with such, including by participating in other companies that own or operate wet- and dry bulk combination carriers.

The principal objectives and strategies of the Company are presented in the Annual Report, and on the Company's web site and are subject to annual assessments. Sustainability in general and more specifically decarbonization of KCC's activities are highly integrated in the Company's strategy and a focus area in everything from daily operations to Board decisions.

No deviations from the Code of Practice.

3. Equity and dividends

Given the cyclical nature of the shipping industry and to accommodate the business strategy, the Company needs to maintain a solid capital structure at levels which will give sufficient assurance to the debt and equity providers that the Company is solid and sustainable. The Board regularly reviews and monitors the Company's capital structure to ensure it is in line with the Company's objective, strategy, and risk profile. The Company has prepared a statement of its Finance Policy, providing details of the Company's handling of financial risks, hedging, funding policies, etc. A summary of the Finance Policy can be found on www.combinationcarriers.com.

The book equity of the Klaveness Combination Carriers Group as per 31 December 2021 was USD 254.4 million, which represents an equity ratio of 40%. Cash and cash equivalents were USD 53.9 million per year-end 2021 and the Group has in addition USD 30 million in available long-term undrawn bank debt and USD 17.4 million available capacity under a 364-days overdraft facility. The debt sources are diversified (mortgage bank debt and bond issue) and have a well distributed maturity profile. The Board believes the capital structure is appropriate based on its objectives, strategies, and risk profile.

The Board has established a clear dividend policy based on a targeted quarterly dividend distribution. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 60% of free cash flow generation to equity after debt service and maintenance cost as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for, and the Company's financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

At the Annual General Meeting (AGM) in April 2021, the Board was granted an authorization to resolve distribution of dividends. The authorization is valid until the Annual General Meeting in 2022, however no longer than 30 June 2022. Dividends of USD 15 cents per share, in total USD 7.1 million, were approved and distributed to shareholders in 2021.

The Board's authorisations to increase the share capital and to buy own shares shall normally not be granted for periods longer than until the next Annual General Meeting of the Company.

At the AGM in 2021, the Board was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 4,820,700, which equalled 10% of the share capital at the date of the AGM and equals 9% of the current share capital. The authorisation can be used for investment purposes, to realise the shares, use the shares as consideration in connection with acquisitions, mergers, demergers or other transactions or in connection with incentive programs, or to cancel the shares and consequently decrease the Company's share capital. The authorisation is valid until the AGM in 2022 but will last no longer than 30 June 2022. No shares have been repurchased during 2021.

Furthermore, at the AGM in 2021, the Board was granted an authorisation to increase the share capital by up to NOK 20,000,000. The authorisation may only be used to raise additional capital for future investments or for general corporate purposes, or to issue shares in connection with acquisitions, mergers, demergers or other transactions. The authorisation is valid until the AGM in 2022, but no longer than 30 June 2022. The Company in November 2021 issued 4,340,000 shares in a private placement, each with a nominal value of NOK 1.

1 Annual General Meeting (AGM)

Deviations from the Code of Practice: See "Deviations from the Norwegian code of practice for corporate governance" section on the first page of this report.

4. Equal treatment of shareholders

The shares of KCC are listed on Oslo Børs (on Euronext Expand until 31 December 2021). All issued shares carry equal shareholder rights in all respects, including the right to participate and vote in general meetings, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

In an Extraordinary General Meeting held on 24 September 2018, the Company issued 219,000 non-transferable warrants, each of which entitle the holder to subscribe one new share of the Company at a subscription price of NOK 44.38 per share. More information about the warrants is provided in note 18 in Annual Report 2021.

No deviations from the Code of Practice.

5. Shares and negotiability

KCC's shares are freely tradable and there are no restrictions on the sale and purchase of the Company's shares beyond those pursuant to Norwegian law.

Each share carries one vote.

No deviations from the Code of Practice.

6. General meetings

The Annual General Meeting will normally be held before 30 April every year. Notice of the meeting shall be sent to the shareholders no later than 21 days prior to the meeting.

The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting.

Notices for General Meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the General Meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

The Chair of the Board and the CEO are present at the meeting, and the Chair of the Nomination Committee and the auditor are normally present as well. An independent person has historically been elected to chair the Annual General Meeting.

Deviations from the Code of Practice: See "Deviations from the Norwegian code of practice for corporate governance" section on the first page of this report.

7. Nomination Committee

According to the articles of association the Company shall have a Nomination Committee which is elected by the General Meeting. The Nomination Committee has the responsibility of proposing members to the Board of Directors and members of the Nomination Committee. The Nomination Committee also proposes fee payable to the members of the Board and the members of the Nomination Committee.

The members of the Nomination Committee are selected to take into account the interests of shareholders in general. The current three members of the Nomination Committee are considered independent of the Board and the executive management team. Members of the Board of Directors and the executive management team are not members of the Nomination Committee. Instructions for the Nomination Committee is approved by the Company's General Meeting.

The members of the Nomination Committee's period of service is two years unless the Annual General Meeting decides otherwise. The Nomination Committee is to maintain contact with shareholder groups, members of the Board of Directors and the Company's executive personnel in its works with proposing members to the Board of Directors. The Annual General Meeting held on 26 April 2021 elected the current Nomination committee consisting of Trond Harald Klaveness (elected for a period of one year), Espen Galtung Døsvig (elected for a period of two years) and Anne Lise Gryte (elected for a period of two years), hence one member is up for election in the AGM in April 2022.

No deviations from the Code of Practice.

8. The Board of Directors: Composition and independence

In appointing members to the Board, it is emphasised that the Board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues and that they meet the Company's need for expertise and diversity.

The Directors are elected for a period of two years, with the possibility of re-election. Board Members are encouraged to own shares in the Company.

The Board currently consists of five Board Members. The Board Members work together to exercise proper supervision of the Company's business, compliance, performance, and work done by the Company's management. The Chair of the Board is elected by the shareholders.

Two out of five of the Board Members are independent of the Company's main shareholders and the majority of the Board Members are independent of the Company's material business contacts and executive management. The Company's executive management is not represented on the Board.

The Board consists of the following members: Lasse Kristoffersen (Chair), Magne Øvreås, Winifred Patricia Johansen (Independent), Rebekka Glasser Herlofsen (Independent) and Morten Skedsmo. An introduction to the members of the Board of Directors and their expertise can be found on www.combinationcarriers.com.

No deviations from the Code of Practice.

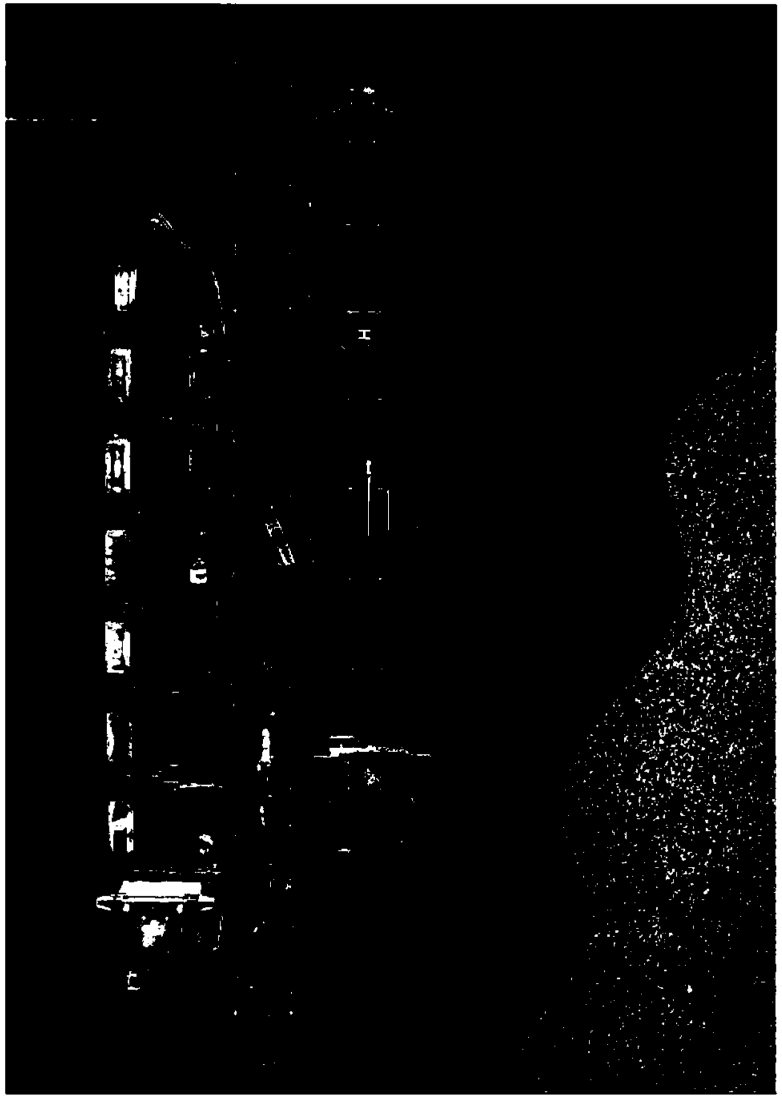
9. The work of the Board of Directors

Instructions have been issued for the Board of Directors, the Audit Committee, and the CEO.

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is to (i) participate in the development and approval of the Company's strategy, (ii) perform necessary monitoring functions and (iii) act as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company compliant with the Company's values and ethical guidelines. The Board shall ensure that the Company has a competent management with clear internal distribution of responsibilities and duties. The Board is regularly briefed on the Company's financial situation. The Board performs evaluation of its work after every Board meeting. For information on how related party transactions are handled, see the Board of Directors Report and note 19 in Annual Report 2021.

The Board has established an Audit Committee consisting of Rebekka Glasser Herlofsen (Chair) and Magne Øvreås. The function of the Audit Committee is to prepare matters to be considered by the Board and to support the Board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit and internal control. The Audit Committee has prepared an annual plan of topics to be covered including internal audit procedures. The Company's CFO is the secretary of the Committee. The auditor participates in discussions of relevant agenda items in meetings of the Audit Committee and the Committee holds separate meetings with the auditor several times each year.

No deviations from the Code of Practice.



10. Risk management and internal control

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and the systems shall also encompass the Company's corporate values and ethical guidelines. The objective of the risk management and internal control is to manage exposure to risks to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

Governing documents, code of conduct, policies, guidelines, processes, and procedures are documented and available to the Company's employees and to employees of the main service providers, and shall ensure:

- that the Company facilitates targeted and effective operational arrangements and makes it possible to manage commercial risk, operational risk, climate related risks, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the Company's commercial objectives
- the quality of internal and external reporting
- that the Company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the Company's ethical guidelines and corporate values

The Board on a quarterly basis reviews the Company's most important areas of exposure to risk. Internal control and risk exposure are regularly tested and evaluated by the Audit Committee. Some of the main risks are presented in the Board of Directors report and note 16 in Annual Report 2021.

KCC encourages whistleblowing regarding blameworthy activities or circumstances within its business. The whistleblower shall be protected against retaliation because of such whistleblowing. The Chief Compliance Officer in Torvald Klaveness is the contact person for whistleblowing for KCC and whistleblowing may be done anonymously. The Chief Compliance Officer notifies the Audit Committee about notifications related to KCC.

No deviations from the Code of Practice.

11. Remuneration of the Board of Directors

Remuneration of Directors is determined by the Annual General Meeting. The fee reflects the responsibilities of the board, its expertise, the amount of time devoted to board-related work, and the complexity of the Company's businesses. To maintain the Board's independence, the Board's remuneration is not linked to the Company's performance, nor does the Company grant share options, similar instruments or retirement benefits to board members as consideration for their work.

In connection with the sales process of MV Barcarol in second half of 2021, Board Member Morten Skedsmo contributed in the work to find a buyer. Compensation for the work was paid to Klaveness AS (a related party of the Company), Mr. Skedsmo's employer. For more information, see note 7 and note 19 in Annual Report 2021. None of the other Directors have performed assignments for the Company in addition to their appointment as member of the Board of Directors.

More information about the remuneration of the individual directors is provided in note 7 in Annual Report 2021.

No deviations from the Code of Practice.

12. Salary and other remuneration for executive personnel

The Board determines the salary and other compensation to the CEO. The CEO's salary, options granted and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: Progress towards and achievement of strategic business goals; Overall profitability of the Company; Development of the Company's shares; and adherence to the Company's main values. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The CEO determines the remuneration of executive employees. The remuneration is based on a base salary, bonus and share options. The Board of Directors' guidelines and the report regarding compensation to key management executives is on the agenda of the Annual General Meeting in April 2022.

For information about remuneration of executive personnel see note 7 in Annual Report 2021 and the Remuneration Guidelines approved by the Annual General Meeting in 2021 are available one the Company's website.

No deviations from the Code of Practice.

13. Information and communication

The Company has developed Investor Relations Guidelines and the Company aims to keep analysts, investors and other stakeholders continuously updated on the Company's operations and performance. The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Information of importance is made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English. All stock exchange announcements and press releases, including the financial calendar, are made available on the Company's website.

No deviations from the Code of Practice.

14. Take-overs

The Company has established key principles for how to act in the event of a take-over. In the event of a take-over process, the Board has a duty to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance.

No deviations from the Code of Practice.

15. Auditor

The auditor participates in most Audit Committee meetings. Annually, the auditor submits an audit workplan to the Audit Committee.

The auditor is present at Board meetings where the annual accounts are on the agenda. The auditor will assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's executive management and/or the Audit Committee. The auditor shall present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. Further, the Board normally holds a meeting with the auditor at least once a year at which no representative of the executive management is present.

The auditor is required to annually confirm his or her independence in writing to the Audit Committee.

There were no disagreements between management or the Audit Committee and the auditor, EY, during 2021. For the financial year 2021, Johan Lid Nordby was the Company's engagement partner from EY.

The auditor's fee is approved by the Annual General Meeting. Auditor's fees are disclosed in note 8 in Annual Report 2021.

No deviations from the Code of Practice.

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Klaveness Combination Carriers ASA – Consolidated Group

INCOME STATEMENT

Year ended 31 December

Freight revenue	3	155 564	142 289
Charter hire revenue	3	41 909	20 442
Other revenue	3	482	-
Total revenues, vessels	3	**197 955**	**162 731**
Voyage expenses	4	(82 087)	(71 592)
Net revenues from operations of vessels		**115 868**	**91 139**
Gain on sale of vessels	3, 9	6 360	-
Other income	3	1 422	-
Operating expenses, vessels	5	(48 212)	(37 193)
Group commercial and administrative services	19	(3 709)	(3 838)
Salaries and social expense	7	(2 374)	(1 327)
Tonnage tax	21	(221)	(140)
Other operating and administrative expenses	6, 7	(1 068)	(778)
Operating profit before depreciation (EBITDA)		**67 064**	**48 135**
Depreciation	9	(28 666)	(19 155)
Operating profit after depreciation (EBIT)		**38 398**	**28 971**
Finance income	8	74	529
Finance costs	8	(15 866)	(14 317)
Profit before tax (EBT)		**22 606**	**15 182**
Income tax expenses	22	(7)	-
Profit after tax		**22 600**	**15 182**
Attributable to:			
Equity holders of the parent company		22 600	15 182
Total		**22 600**	**15 182**
Attributable to:			
Basic earnings per share		0.46	0.32
Diluted earnings per share		0.46	0.32

Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

Profit/ (loss) of the period		**22 600**	**15 182**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on cross-currency interest rate swaps (CCIRS)	13	(404)	1 253
Reclassification to profit and loss (CCIRS)		2 773	(3 715)
Net movement fair value on interest rate swaps	13	4 800	(2 481)
Net movement fair value bunker hedge	13	(69)	87
Net movement fair value FFA hedge	13	(7 730)	(1 814)
Net changes on cost of hedging FFA hedge	13	(714)	-
Net other comprehensive income to be reclassified to profit or loss		**(1 644)**	**(6 679)**
Total comprehensive income/(loss) for the period, net of tax		**20 956**	**8 503**
Attributable to:			
Equity holders of the parent company		20 956	8 503
Total		**20 956**	**8 503**

Klaveness Combination Carriers ASA – Consolidated Group

› STATEMENT OF FINANCIAL POSITION

Non-current assets			
Vessels	9	536 864	404 258
Newbuilding contracts	10	-	48 441
Right-of-use assets	11	1 553	1 672
Long-term receivables	7	70	70
Long-term financial assets	13	4 048	3 427
Total non-current assets		**542 535**	**457 868**
Current assets			
Short-term financial assets	13	678	47
Inventories	12	12 279	6 159
Trade receivables and other current assets	14	18 484	18 501
Short-term receivables from related parties	19	2 018	742
Cash and cash equivalents	15	53 937	65 685
Total current assets		**87 396**	**91 134**
Total assets		**629 931**	**549 043**

Klaveness Combination Carriers ASA – Consolidated Group

› STATEMENT OF FINANCIAL POSITION

Equity			
Share capital	18	6 236	5 739
Share premium		183 732	130 158
Other reserves		(8 154)	(6 511)
Retained earnings	17	102 605	87 162
Total equity		**284 417**	**216 548**
Non-current liabilities			
Mortgage debt	13	249 993	106 813
Long-term financial liabilities	13	2 017	5 409
Long-term lease liabilities		1 008	1 239
Bond loan	13	78 205	80 649
Total non-current liabilities		**331 223**	**194 109**
Current liabilities			
Short-term mortgage debt	13	23 936	22 473
Interest bearing liabilities	13	2 400	-
Short-term financial liabilities	13	-	757
Short-term lease liabilities		618	493
Trade and other payables		16 190	13 165
Short-term debt to related parties	19	896	1 339
Tax liabilities	21	233	175
Total current liabilities		**44 291**	**38 402**
Total equity and liabilities		**629 931**	**549 043**

Oslo, 31 December 2021
Oslo, 28 March 2022

Lasse Kristoffersen	**Engebret Dahm**	**Winifred Patricia Johansen**
Chair of the Board	CEO	Board member
Magne Øvreås	**Rebekka Glasser Herlofson**	**Morten Skedsmo**
Board member	Board member	Board member

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Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

Equity 1 January 2021	**8 725**	**130 155**	**(147)**	**(6 363)**	**-**	**87 162**	**219 532**
Profit (loss) for the period	-	-	-	-	-	22 600	22 600
Other comprehensive income for the period	-	-	-	(931)	(714)	-	(1 644)
Share option program	-	-	-	-	-	47	47
Dividends	-	-	-	-	-	(7 204)	(7 204)
Capital increase (November 4, 2021)	510	23 576	-	-	-	-	24 086
Equity at 31 December 2021	**9 235**	**153 731**	**(147)**	**(7 294)**	**(714)**	**102 605**	**257 417**

Equity 1 January 2020	**8 725**	**130 155**	**-**	**316**	**-**	**76 744**	**215 940**
Profit (loss) for the period	-	-	-	-	-	15 182	15 182
Other comprehensive income for the period	-	-	-	(6 679)	-	-	(6 679)
Purchase of own shares	-	-	(147)	-	-	-	(147)
Share option program	-	-	-	-	-	39	39
Dividends	-	-	-	-	-	(4 803)	(4 803)
Equity at 31 December 2020	**8 725**	**130 155**	**(147)**	**(6 363)**	**-**	**87 162**	**219 532**

Klaveness Combination Carriers ASA – Consolidated Group

CASH FLOW STATEMENT

Year ended 31 December

Profit before tax		22 606	15 182
Tonnage tax expensed		221	180
Depreciation	9	28 666	19 155
Amortization of upfront fees bank loans		882	693
Financial derivatives unrealised loss / gain (-)	6	82	(342)
Gain on sale of vessel	9	(6 360)	-
Gain/loss on foreign exchange	8	720	(4)
Interest income	8	(74)	(271)
Interest expenses	8	14 175	11 884
Change in current assets		(8 797)	(3 797)
Change in current liabilities		2 038	(3 438)
Collateral paid/refunded on FFA (variation margin)		(8 380)	-
Interest received		74	271
A: Net cash flow from operating activities		**45 880**	**38 513**
Acquisition of other tangible assets	9	(13 783)	(4 271)
Instalments and other cost on newbuilding contracts*	10	(108 322)	(88 434)
Cash proceeds from sale of vessels	6	13 800	-
Transaction costs related to sale of vessels		(212)	-
B: Net cash flow from investment activities		**(108 517)**	**(92 705)**
Proceeds from mortgage debt	13	168 000	40 450
Proceeds from bond loan (KCC04)	13	-	76 390
Buyback of bond loan (KCC03)	13	-	(33 961)
Transaction costs on issuance of loans	13	(1 944)	(1 914)
Repayment of mortgage debt	13	(113 041)	(17 367)
Terminated financial instruments	13, 8	-	(3 101)
Interest paid	8	(13 970)	(11 276)
Repayment of lease liabilities	11	(582)	(454)
Interest paid leasing	8	(103)	(94)
Purchase of own shares		-	(147)
Paid in registered capital increase	16	24 977	-
Transaction costs on capital increase		(878)	-
Dividends	16	(7 204)	(4 802)
C: Net cash flow from financing activities		**48 284**	**63 822**
Net change in liquidity in the period (A+B+C)		**(13 414)**	**10 431**
Effect of exchange rate changes on cash		(742)	-
Cash and cash equivalents at beginning of period		65 685	55 254
Cash and cash equivalents at end of period		51 529	65 685
Net change in cash and cash equivalents in the period		**(13 414)**	**10 431**
Cash and cash equivalents		53 937	65 685
Other interest bearing liabilities (overdraft facility)**		2 409	-
Cash and cash equivalents (as presented in cash flow statement)		**51 529**	**65 685**

** Related to delivery of newbuildings MV Balaru, MV Bass and MV Balzani in 2021.*
*** Cash and cash equivalents include overdraft facility of USD 2.4 million presented as other interest bearing liabilities in the balance sheet.*

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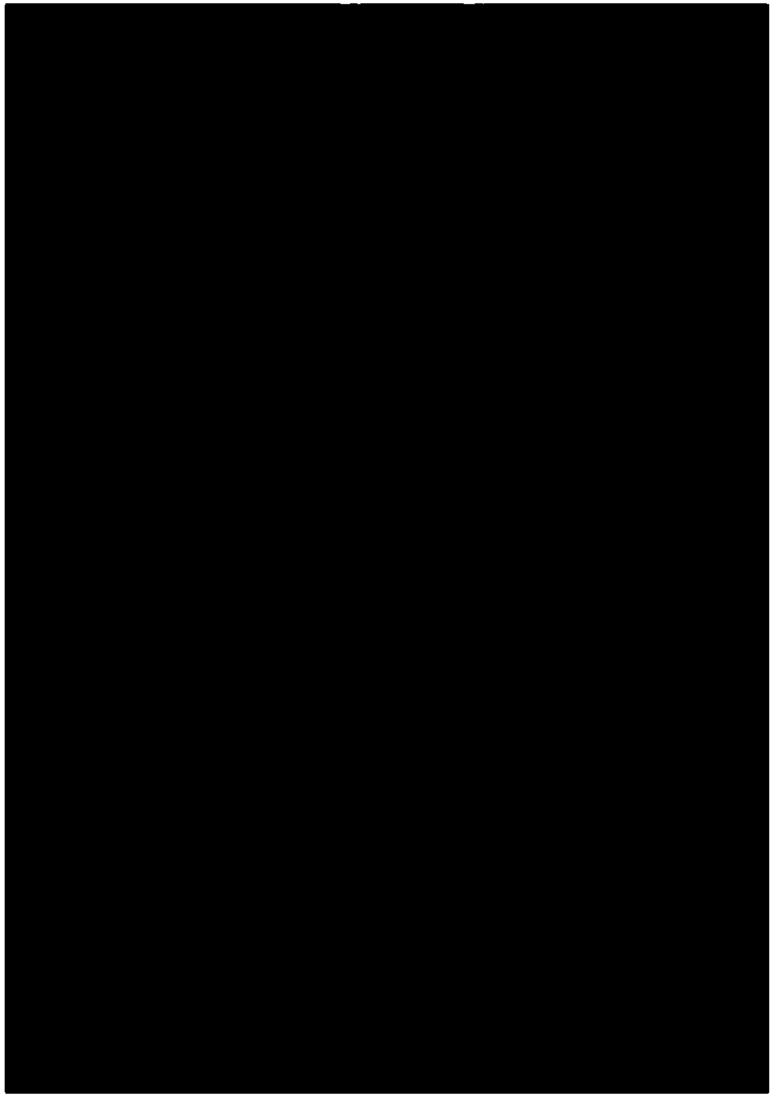

01 Accounting policies

Corporate information

These consolidated financial statements of Klaveness Combination Carriers ASA and its subsidiaries (collectively referred to as "The Group") for the period ended 31 December 2021 were authorised by the Board of Directors on March 18, 2022. Klaveness Combination Carriers ASA ("The Company"/"The Parent Company") is a private limited company domiciled and incorporated in Norway.

The Parent Company has headquarters and is registered in Drammensveien 260, 0283 Oslo. The share is listed on Oslo Stock Exchange (transferred from Euronext Expand as per 21 December 2021) with ticker KCC. The Parent Company was established on 23 March, 2018, as a 100 % subsidiary of Klaveness Ship Holding AS.

The objective of the Group is to provide transportation for drybulk, chemical and petroleum product clients, as well as to develop new investment and acquisition opportunities that fit the Group's business platform (see note 2 for more information).

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

Basis of preparation

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

The Group's consolidated financial statements comprise Klaveness Combination Carriers ASA (KCC) and all subsidiaries over which the Group has control. Control 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 similar transactions and events under otherwise similar circumstances.

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

The consolidated financial statements are based on historical cost, except for derivative financial instruments which are measured at fair value. The consolidated financial statements are prepared under the going concern assumption.

ESEF/iXBRL reporting

The Company is required to prepare and file the annual report in the European Single Electronic Format (ESEF), and the Annual Report for 2021 is therefore prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the consolidated financial statements are tagged using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Norwegian Financial Supervisory Authority consists of the XHTML document together with certain technical files.

Significant accounting judgements, estimates and assumptions

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

Management has made estimates and assumptions which have significant effect on the amounts recognised 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 Combination Carriers ASA financial position

The areas in which The Company is particularly exposed to material uncertainty over the carrying amounts as at the end of 2021 are included within the individual notes outlined below:

Note 9 – Useful life, residual value, cash-generating units and impairment testing

Functional and presentation currency

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.

Foreign currency transactions

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 recognised 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 8.5973 USD/NOK in 2021 (2020: 9.4264). At 31 December 2021 an exchange rate of USD/NOK 8.8363 (2020: 8.5375) was used for the valuation of balance sheet items.

Financial assets

Initial recognition and measurement
At initial recognition, financial assets are classified, in the following categories: 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. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for 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 include 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 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 which the Group had not irrevocably elected to classify at fair value through OCI.

› Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, 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.

Financial liabilities at amortised cost
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 effective interest rate (EIR). The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 13.

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.

› Share issuance

Share issuance costs related to a share issuance transaction are recognised directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognised net after tax.

› Treasury shares

Where KCC has acquired own shares under a share buy-back program, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity and classified as treasury shares. No gain or loss are recognised in profit and loss related to the purchase, sale, issue, release or cancellation of KCC's own equity instruments.

› Dividends

Dividend payments are recognised as a liability in the Group's financial statements from the date when the dividend is approved by the General Meeting.

› Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow or resources representing economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

› 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 effect 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.

› Cash flow statements

The cash flow statements are based on the indirect method.

› Standards, amendments and interpretations

The financial statements have been prepared based on standards, amendments and interpretations effective for 2021. There was no material impact of new accounting standards or amendments adopted in the period.

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 2022 or later periods.

02 Segment reporting

The Group is an owner and operator of combination carriers and operates mainly within the dry bulk shipping industry and the product tanker industry. The Group owns eight CABUs and eight CLEANBUs.

The CABUs are from 72,456 dwt to 80,344 dwt and have the capacity to transport caustic soda solution (CSS), floating fertilizer (UAN) and molasses as well as all types of dry bulk commodities.

The CLEANBUs have approximately 82,500 dwt carrying capacity. The CLEANBUs are both full-fledged LR1 product tankers and Kamsarmax bulk carriers transporting clean petroleum products (CPP), heavy liquid cargoes such as CSS, UAN and molasses as well as all types of dry bulk products.

Operating revenue, vessels	118 218	81 255	197 473	122 208	40 523	162 730
Other revenue	-	482	482	-	-	-
Voyage expenses	(50 099)	(31 989)	(82 087)	(60 281)	(11 311)	(71 592)
Net revenue from operations of vessels	**66 119**	**49 749**	**115 868**	**61 926**	**29 212**	**91 138**
Gain on sale of vessels (note 3)	6 360	-	6 360	-	-	-
Other income (note 3)	1 422	-	1 422	-	-	-
Operating expenses, vessels	(24 684)	(24 537)	(49 221)	(23 829)	(13 364)	(37 193)
Group commercial and administrative services	(1 860)	(1 849)	(3 709)	(2 251)	(1 287)	(3 538)
Salaries and social expense	(1 191)	(1 184)	(2 374)	(844)	(483)	(1 327)
Tonnage tax	(130)	(84)	(214)	(134)	(46)	(180)
Other operating and administrative expenses	(536)	(533)	(1 069)	(503)	(272)	(776)
Operating profit before depreciation (EBITDA)	**48 505**	**21 580**	**67 084**	**34 364**	**13 760**	**48 125**
Depreciation	(13 362)	(15 303)	(28 665)	(11 643)	(7 513)	(19 155)
Operating profit after depreciation (EBIT)	**32 142**	**6 286**	**38 398**	**22 722**	**6 248**	**28 971**

Alternative performance measures (APMs)
Average TCE earnings per onhire day is an alternative performance measure. Description and definition can be found on the company's homepage: https://www.combinationcarriers.com/alternative-performance-measures.

Reconciliation of average TCE earnings per onhire day

Net revenue from operations of vessels	66 119	49 749	115 868	61 926	29 212	91 138
Adjustment *	177	213	390	(234)	(512)	(746)
Other revenue	-	(482)	(482)	-	(134)	(134)
Net revenue ex adjustment	66 297	49 479	115 776	61 692	28 566	90 259
Onhire days	3 073	2 450	5 523	3 102	1 196	4 300
Average TCE earnings per onhire day (USD/d)	**21 571**	**20 196**	**20 961**	**19 886**	**23 851**	**20 990**

Accounting policy

The operating segments 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 reporting of the combination carriers results separates the CABUs and CLEANBUs as two segments, to better follow up on the performance of the different vessel concepts. CABU vessels are combinations carriers that transport caustic soda solution, floating fertiliser, molasses and all types of dry cargo. The CLEANBUs are combination carriers that transport clean petroleum products, heavy liquid cargoes and all types of dry bulk products like alumina, bauxite, iron ore, salt and coal. The Group identifies and reports its segments based on information provided to the Management and the Board of Directors. Resources are allocated and decisions are made based on this information.

Adjustment: Net revenue in Income Statement is recognised from load-to-discharge, while revenue basis for average TCE earnings is based on discharge-to-discharge. The difference/adjustment relates to days in ballast from discharge to loading on next voyage

03 Revenue from contracts with customers

Disaggregated revenue information
The Group has income from COA contracts, spot voyages and TC contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers.

Revenue from COA contracts	Freight revenue	83 628	100 659
Revenue from spot voyages	Freight revenue	71 938	41 631
Revenue from TC contracts	Charter hire revenue	41 909	20 308
Other revenue	Other revenue	482	134
Total revenue, vessels		**197 958**	**162 731**

Gain on sale of vessels (note 3)	Gain on sale of vessels	6 360	-
Other income	Other income	1 422	-
Total other income		**7 782**	-

Other income of USD 1.4 million in 2021 relates to equity distribution from the Norwegian Shipowners' Mutual War Risks Insurance Association (Den Norske Krigsforsikring for Skib, DNK).

The Group had four customers in 2021 that each represented more than five percent of operating revenue in the Group (USD 44.4 million, USD 18.4 million, USD 11.6 million and USD 11.6 million respectively).

Geographical information
Revenue for the shipping activities is distributed based on the port of discharge for all vessels operated by the Group, including leased vessels on time charter agreements.

The table below presents revenue based on the port of discharge.

North East Asia	68 992	31 564
Middle East	51 669	36 284
Australia / Oceania	41 160	52 258
South America	23 025	23 756
Europe	10 472	1 688
South East Asia	7 541	9 574
North America	6 036	2 194
South asia	5 344	2 301
Africa	2 448	1 233
Total revenue, regions	**217 584**	**160 873**
Gain/(loss) on FFAs	(19 642)	1 977
Adjustments	(300)	746
Other revenue	482	134
Total revenue, vessels	**197 958**	**162 731**

03 Revenue from contracts with customers

Contract balances

Trade receivables from charterers (Note 14)	7 421	7 470
Contract assets (Note 14)	3 437	3 204
Contract liabilities	3 477	2 389

Contract assets are accrued income related to ongoing voyages (revenue recognised from load-to-discharge). Total income related to ongoing voyages as per 31 December 2021 to be recognized in 2022 is USD 10.8 million. Contract liabilities are prepaid revenue from customers.

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.

Accounting policy

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

Contracts of affreightment
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 to a larger extent be operated under COAs in the wet product market and to a larger degree in the spot market 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 business creates flexibility in optimizing the trading of the fleet. The COA contracts have duration between 1-6 years. Revenue from the Group's COA commitments are classified as freight revenue in the Income Statement.

Revenue from contracts with customers is recognised 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 recognised when earned and is included in freight revenue.

Performance obligations
IFRS 15 requires the Group to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations for each contract with a customer 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 time charter (TC) contracts qualify for recognition over time. The nature of the Group's revenue 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 amortised over the voyage to the extent it qualifies as cost to fulfil under IFRS 15.

Time charter (TC) 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 normally 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. In 2020, the Group entered into one TC agreement with 9 months duration with end date early February 2021. Payments received under operating leases are recognised as revenue on a straight line basis over the lease term.

04 Voyage expenses

Freight expenses	20 210	16 184
TC-hire	1 882	2 001
Voyage expenses	59 009	52 048
Fuel hedge settlement	(234)	608
Various expenses	1 140	790
Total voyage costs, vessels	**82 007**	**71 882**

Voyage expenses include bunkers cost, port costs and other voyage related expenses. TC-hire is payment for vessels hired in on short-term TCs (1-3 months).

05 Operating Expenses

Technical expenses	14 040	11 753
Crewing expenses	24 760	17 483
Insurance	3 004	2 600
Crewing agency fee to Klaveness Ship Management AS	1 469	1 101
Ship management fee to Klaveness Ship Management AS	3 979	3 100
IT fee to Klaveness Ship Managment AS	81	63
Other operating expenses	1 886	1 093
Total operating expenses	**49 219**	**37 193**

Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include all personnel expenses such as wages, social costs, travel expenses and training. Costs related to technical management, maintenance and crewing services are recognised as operating expenses, see note 19 for transactions with related parties.

The pandemic has impacted operating costs in 2020 and 2021 with higher crew costs, forwarding costs for spare parts and suppliers and bunkers costs during off-hire due to deviations or time in quarantine for crew change. Higher than normal costs due to COVID - 19 are estimated to be approximately USD 3.7 million in 2021 (2020: USD 2.8 million).

06 Other operating and administrative expenses

Remuneration to the auditor

Statutory audit	179	109
Other assurance services	29	30
Total	**208**	**139**

Auditor's fee are stated excluding VAT

07 Salary

Salaries and other remuneration	2 006	1 123
Social security tax	105	124
Pension benefit	63	66
Other social costs	86	5
Other personel related expenses	16	8
Salaries and social expense	**2 276**	**1 327**

07 Salary

The Group has nine employees as per year end 2021. As from 1 June 2021, the commercial and operational team of four employees were transferred to the newly established subsidiary Klaveness Combination Carriers Asia Pte Ltd (Singapore).

Women	3	33 %	2	33 %
Men	6	67 %	4	67 %
Total employees in KCC	**9**	**100 %**	**6**	**100 %**
Average number of employees in KCC	**8**	-	**6**	-
KCC ASA in Norway	6	67 %	6	100 %
KCC Asia in Singapore	3	33 %	-	-
Nationalities	3	-	1	-
Sick leave	-	0.29 %	-	0.04 %

Remuneration to the management

Engebret Dahm (CEO)	373	79	16	468
Liv Hege Dyrnes (CFO)	289	30	16	312
Total	**662**	**110**	**32**	**781**

The Company has provided a loan to CEO Engebret Dahm of USD 50k. Interest on the loan is set to the Norwegian tax administration normal interest rate for the taxation of low-cost loans.

The Board has drawn up guidelines for determining remuneration to executive personnel. The remuneration is based on a base salary, bonus and option scheme. The Company's CEO has an agreement of 12-month severance payment including a 6-month period of notice in case of involuntary resignation or by redundancy.

Bonus scheme
The current bonus scheme is valid for the accounting years 2020 and 2021 and new bonus scheme has been rolled-out for 2022 - 2023. Bonus is distributed on an annual basis and is divided into two: i) Formula bonus based on return on equity for the relevant year, and ii) Discretionary element. The cap payment is set at 12 months fixed salary for the CEO and nine months for the CFO. Total bonus, included any discretionary element and holiday allowance, can in no circumstances exceed the individual cap. If not employed for a full year, the cap will be pro-rated according to number of months employed. The cap is reached at 20 % return on equity. The CFO is part of the overall discretionary bonus pool that is distributed among all employees included in the bonus scheme. The discretionary bonus pool is usually capped at 50% of total formula bonus for the employees included in the bonus pool, however, the BOD decided to distribute a discretionary bonus for the pool members of in total 74% of the formula bonus for 2021, to be paid in 2022. Provisions have been made for the main part in the 2021 accounts. The discretionary bonus is based on goal achievements and individual performance. Any discretionary bonus to the CEO to be set by the Board, however, total bonus to CEO should never be above the cap.

Share Option Program
The CFO and the CEO were granted 65,280 options in December 2019, each of one share, in total equal to 0.1 % of the share capital. The options are vested over a period of three years from the grant date, 1/3 per year and first vesting to take place one year after the grant date. Vested options may be exercised at any time as long as the option holder acts within all applicable securities legislation and internal guidelines and is still employed by the Company. KCC is entitled to, rather than issuing shares, to settle in cash. Unvested options immediately lapse and expire when an employee becomes a former employee, while the vested options will lapse on the date four months after the employee becomes a former employee as long as this complies with applicable securities legislation. The exercise price is set in NOK based on the average close trading price of the KCC share the last ten days before the grant date. The option scheme includes provisions related to public offers and mergers, adjustments related to changes in share capital among others. The share option program has been accounted for based on equity- settlement. See note 17 for more information.

Pension scheme for all employees
The Group has defined contributions plan for all employees in Norway. The contribution plan includes full-time and part-time employees with more than 20% of a full time position and comprise 5% of salary up until 7.1G and 20% of salary between 7.1G and 12G. As of 31.12.2021 there were six members of the defined contribution plan. The expense recognised in the current financial period in relation to the contribution plan was USD 83k (2020: USD 69k). KCC does not make any pension contributions to employees in Singapore in line with national legal requirements.

Remuneration to the Board of Directors

Lasse Kristoffersen (Chair of the Board)*	57	53
Magne Øvreås (Board member and member of Audit Committee)	38	32
Morten Skedsmo (Board member)*	34	32
Rebekka G. Herlofsen (Board member and Chair of Audit Committee)	39	21
Winifred Patricia Johansen (Board member from 26 April 2021)	23	-
Stephanie S. Wu (Board member until 27 April 2020)	-	11
Lori W. Næss (Board member until 26 April 2021)	11	32
Total	**203**	**180**

Remuneration paid to Klaveness AS, a wholly owned subsidiary of the main shareholder Rederiaksjeselskapet Torvald Klaveness. The persons are employed by Klaveness AS. Compensation for Board work is thus included in the regular salary since such positions are a part of their regular employment.

Board remuneration is proposed by the Nomination Committee and approved by the Annual General meeting. The Directors receive a fixed payment for the year based on the Board position, i.e. the Chair receives higher pay than the Board Members, which have an equal pay. The Directors do not receive profit-related remuneration, share options or retirement benefits. Board Members participating in committees such as the Audit Committee have received extra payment for these tasks for 2021.

In connection with the sales process of MV Banasol in 2021, Board member Morten Skedsmo has contributed in the work to find a buyer. Compensation for the work, USD 31k, has been paid to Klaveness AS, see note 19.

Women	2	40 %	2	40 %
Men	3	60 %	3	60 %

In appointing members to the Board, it is emphasised that the Board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues and that they meet the Company's need for expertise and diversity. An introduction to the members of the Board of Directors and their expertise can be found on www.combinationcarriers.com.

Accounting policy

Pension obligations
The Group is required to provide a pension plan towards its employees in Norway, and the Group has implemented a defined contribution plan. The plan complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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.

08 Financial items

Other interest income	74	398
Gain on foreign exchange	-	131
Finance income	**74**	**529**

Interest expenses mortgage debt	9 477	7 729
Interest expenses bond loan	4 371	4 062
Interest expenses lease liabilities	103	94
Amortization capitalized fees on loans	882	693
Other financial expenses	234	908
Fair value changes in forward freight agreements	-	21
Fair value changes and realization effects of interest rate swaps	82	687
Loss on foreign exchange	726	128
Finance cost	**18 866**	**14 317**

09 Vessels

Cost price 1.1	899 826	492 075
Delivery of newbuildings	153 763	103 708
Adjustment acquisition value newbuildings delivered	1 408	(809)
Dry-docking	8 342	4 852
Technical upgrade	4 032	-
Disposal of vessel	(32 416)	-
Cost price end of period	**734 955**	**899 826**
Acc. depreciation 1.1	195 568	176 866
Disposal of vessel	(25 560)	-
Depreciation vessels	28 083	18 702
Acc. Depreciation end of period	**198 092**	**195 568**
Carrying amounts end of period*	**536 864**	**404 258**
*) carrying value of vessels includes dry-docking		
No. of vessels	16	14
Useful life vessels	25	25
Useful life dry-docking	3-5	3-5
Depreciation schedule	Straight-line	Straight-line

Depreciation vessels	28 083	18 702
Depreciation right of use assets	582	453
Depreciations for the period	**28 666**	**19 155**

Additions
Three CLEANBU vessels MV Baracu, MV Bass and MV Balzani were delivered from Jiangsu New Yangzi Shipbuilding Co.Ltd respectively 11 January 2021, 15 March 2021 and 25 May 2021. Four CABU vessels have performed scheduled dry-docking in 2021 with a total cost of USD 8.3 million. Technical upgrade of USD 4.0 million is related to general improvement of the technical performance of the vessels and energy efficiency initiatives (USD 3.4 million) and yard repairs of one CLEANBU (MV Barramundi, USD 0.6 million).

Pledged vessels
All owned vessels except MV Bangor and MV Barcarena are pledged to secure the various loan facilities (refer to note 13 for further information).

Disposals
MV Banasol was sold and delivered to new owner in December 2021, a gain of USD 6.4 million was recognised in 2021. Gain is calculated as sales price less book value of the vessel at time of sale less any direct costs of sale.

Impairment assessment
Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. Expected future TCE earnings for both fleets of CABUs and CLEANBUs, diversified market exposure, development in secondhand prices and the combination carriers' trading flexibility support the conclusion of no impairment indicators identified as per 31 December 2021.

Significant accounting estimates

Useful life and residual values
The carrying amount of vessels is based on management's assumptions of useful life. Useful life for the combination carrier vessels is reassessed on an annual basis. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices. Management has also considered the impact of decarbonisation and climate related risks on the existing assets' useful lives. Such risks include new climate related legislation restricting the use of certain assets, new technology demanded by climate related legislation and customer requirements (see note 14).

KCC commits to perform recycling of its vessels in compliance with the Hong Kong convention and Norwegian Shipowner's Association's guidelines. Obtained steel prices for residual value assessment are in line with our strategy. In the assessment of residual value as per 1 January 2022 there is a high degree of uncertainty in current market prices for green recycling. Based on the assessment, the Group concluded to retain a scrap price of USD320/ltd as from 1 January 2022.

Impairment testing
At the end of each reporting period the Group will assess whether there is any indication of impairment. If any indication exists, the Group will estimate the recoverable amount of the asset. Recoverable amount is set as the highest of fair value less cost to sell and value in use. If carrying value exceeds the estimated recoverable amount, impairment is recognised. Impairments are reversed in a later period if recoverable amount exceeds carrying amount.

Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. As per year end 2021 and 2020 no indicators for impairment were identified.

Cash-generating units
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 cargo carrying 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 AS (KCCC). Contracts (COAs) 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 KCCC is dependent on operating the vessels as a portfolio according to free vessel capacity and available cargos.

The Group has defined the fleet of CABUs and the fleet of CLEANBUs as two separate cash generating units.

Accounting policy

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.

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 capitalised 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.

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 recognised in the profit and loss statement. An impairment loss recognised 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 recognised.

10 Newbuildings

The Group took delivery of three CLEANBU vessels, MV Balaclu, MV Bass and MV Balzani in January, March and May 2021 (note 9), which completed the newbuilding programme at Jiangsu New Yangzi Shipbuilding Co., Ltd in China.

Cost 1.1	48 441	62 314
Borrowing cost	84	1 023
Yard installments paid	97 650	80 851
Other capitalised cost	7 588	7 900
Delivery of newbuildings	(153 763)	(103 708)
Net carrying amount	-	**48 441**

Accounting policy

Newbuildings
Vessels under construction are classified as non-current assets and recognised 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.

11 Leasing

The Group as a lessee

Right-of-use assets
The Group has leasing agreements related to satellite communication and IT equipment onboard the vessels. The Group's right-of-use assets are presented in the table below:

Cost price 1.1	2 310	2 150
Addition of right-of-use assets	538	360
Disposals	(75)	-
Cost price end of period	**2 773**	**2 510**
Accumulated depreciation 1.1	838	385
Depreciation right of use assets	582	453
Accumulated depreciation end of period	**1 420**	**838**
Carrying amounts end of period	**1 353**	**1 672**

Lease liabilities

Less than 1 year	662	579
1-5 years	1 107	1 300
More than 5 years	-	-
Total undiscounted lease liabilities at 31 December	**1 769**	**1 879**

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

As a lessee, the Group leases mainly satellite communication and IT equipment onboard the vessels.

Accounting policy

Right of use assets
The Group applies the recognising exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which are 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.

12 Inventories

Bunkers	10 810	5 075
Spare parts	166	166
Luboil	1 302	918
Inventories	**12 279**	**6 158**

Inventories relate to bunkers, spare parts and luboil on board vessels.

Accounting policy

Bunkers and lubricant oil on board vessels are recorded in the balance sheet at acquisition cost. Acquisition cost is based on FIFO (first in, first out principle). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognised if the net realizable value is lower than the cost price.

13 Financial assets and financial liabilities

The below tables present the Group's financing arrangements as per 31 December 2021.

During 2021 the Group made a drawdown of USD 13 million under the SEB/SR- Bank/SPV facility in relation to the delivery of MV Barcarena and USD 60 million under the term loan facility of Nordea/Credit Agricole Sustainability Linked Term loan in relation to delivery of MV Bass and MV Balzani and revolving credit facilities. In addition the Group refinanced the USD100 million Nordea/Danske Bank facility into a USD 80 million senior secured sustainability linked term loan credit facility agreement with Nordea and Danske Bank. The interest rate on the new facility will be LIBOR + 210bps. The margin will be adjusted, up or down, based on the Group's sustainability performance, as defined by the Group's ability to meet its goal of reducing CO2 emissions per ton of transported cargo per nautical mile (EEOI) and reducing absolute CO2 emissions per vessel.

The new facility will refinance the CABU vessels MV Banastar, MV Baldock, MV Baffin, MV Ballard and MV Balboa built 2005-2017. The vessels MV Bangor and MV Barcarena, which were financed under the USD100 million Nordea/Danske Bank facility, will be left unencumbered. The new facility will mature in December 2026 and has a repayment profile of 9.2 years reflecting an age adjusted eighteen to zero repayment profile based on the average age of the vessels.

Furthermore, the Group repaid USD 2.7 million in debt prior to the sale of MV Banasol under the USD105 million DNB/SEB facility, and the Group repaid USD 30 million under a revolving credit facility and remaining part of USD 65.4 million under the USD 100 million Nordea/Danske Bank facility.

Nordea/Danske facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	-
DNB/SEB facility	Term loan, USD 105 mill.	LIBOR + 2.3 %	December 2023	83 344
SEB/SR-Bank/SPV facility	Term loan/RCF, 90.875 mill	LIBOR + 2.3 %	October 2025	85 786
Nordea/Credit Agricole facility*	Term loan/RCF, 60 mill	LIBOR + 2.75 %	March 2025	27 333
Nordea/ Danske facility**	Term loan, USD 80 mill	LIBOR + 2.3 %	December 2026	80 000
Capitalised loan fees				(2 534)
Mortgage debt 31 December 2021				**273 929**

Potential margin adjustments up to +/- 10 bps once every year based on sustainability KPIs.
*** Potential margin adjustments up to +/- 5 bps once every year based on sustainability KPIs.*

The Group has available undrawn revolving credit facility capacity of USD 30 million and USD 17.6 million available capacity under a 364-days overdraft facility

KCC04	700 000	11.02.2025	80 649
Exchange rate adjustment			(1 430)
Capitalized expenses			(779)
Bond discount			(234)
Total bond loan	**700 000**		**78 206**

Mortgage debt	252 547	252 547	208 052
Capitalized loan fees	-	(2 554)	(1 239)
Bond loan	75 456	79 219	81 991
Bond premium	-	(234)	(310)
Capitalized expenses bond loan	-	(779)	(1 032)
Total non-current interest bearing liabilities	**328 003**	**328 199**	**287 462**
Mortgage debt, current	23 936	23 936	22 473
Overdraft facility (Secured)	2 409	2 409	-
Total interest bearing liabilities	**354 347**	**354 543**	**309 934**

Maturity profile of financial liabilities at 31 December 2021 is presented in note 16.

Covenants
As per 31 December 2021, the Group is in compliance with all financial covenants. On Group level financial covenants relate to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million). Financial covenants on KCC Shipowning AS level relate to minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net interest-bearing debt to EBITDA (NIBD/EBITDA) of max 7x.

The NIBD/EBITDA ratio can be higher than 7x for one reporting period (measured semi-annually) provided that the NIBD/EBITDA was below 7x in the prior reporting period. The loan agreements also include a dividend restriction of 50% of net profit (based on audited annual consolidated accounts) if the equity ratio is below 35%. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan and a change of control clause. In case of KCC Shipowning AS a change of control event occurs if it ceases to be owned, directly or indirectly, 100% (in issued shares and voting rights) by KCC and in case of KCC, if it ceases to be owned, directly or indirectly, 33 1/3% (in issued shares and voting rights) by Trond Harald Klaveness and/or his direct lineal descendants or if any other person or group of persons acting in concert, other than Trond Harald Klaveness and/or his direct lineal descendants, directly or indirectly, gain control of 33 1/3% or more of the shares and/or voting rights in KCC.

Securities
As security for the mortgage debt, the Group has included a first priority security in all vessels except two vessels and earnings accounts, and assignment of the earnings and insurances of the vessels in favour of the creditors.

Vessels	520 063	404 258
Bunkers	10 810	5 075
Accounts receivables	18 484	18 501
Total book value of collateral and mortgaged assets	**549 357**	**427 833**

Risk management activities
To reduce interest rate risk, the Group has entered into various interest rate swaps derivatives, such as interest rate swaps, caps and cross-currency interest rate swap (CCIRS). Interest rate swaps and CCIRS qualify for hedge accounting. These instruments have combined notional value of USD 213 million and duration until 2023-2028. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income. The Group also holds interest rate options recognised at fair value through profit and loss.

The Group has entered into bunker fuel swaps and forward freight agreements (FFA) that qualify for hedge accounting. The Group uses 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 bunker 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).

Financial instruments at fair value through OCI		
Cross-currency interest rate swap	2 556	2 917
Interest rate swaps	1 421	356
Fuel hedge	18	87
Forward freight agreements (FFA)	660	-
Financial instruments at fair value through P&L		
Interest rate swaps	71	154
Financial assets	**4 727**	**3 515**
Current	678	87
Non-current	4 048	3 427

Financial instruments at fair value through OCI		
Cross-currency interest rate swap	43	-
Interest rate swaps	1 973	5 409
Fuel hedge	-	-
Forward freight agreements (FFA)	-	757
Financial liabilities	**2 017**	**6 166**
Current	-	757
Non-current	2 017	5 409

13 Financial assets and financial liabilities

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

Financial assets at fair value through OCI				
Interest rate swaps	1 421	356	1 421	356
Forward freight agreements	660	-	660	-
Fuel hedge	18	87	18	87
Cross-currency interest rate swap	2 556	2 917	2 556	2 917
Financial assets at fair value through profit or loss				
Forward freight agreements	-	-	-	-
Interest rate swaps	71	154	71	154
Total financial assets at fair value	**4 727**	**3 515**	**4 727**	**3 515**
Financial assets measured at amortised costs				
Accounts receivable	7 667	7 577	7 667	7 577
Receivables from related parties	2 018	742	2 018	742
Total financial assets measured at amortised costs	**9 685**	**8 319**	**9 685**	**8 319**
Cash and cash equivalents	**53 937**	**65 685**	**53 937**	**65 685**
Total financial assets	**68 349**	**77 518**	**68 349**	**77 518**
Total, current	64 301	74 091	64 301	74 091
Total, non-current	4 048	3 427	4 048	3 427

Financial liabilities at fair value through OCI				
Interest rate swaps	1 973	5 409	1 973	5 409
Cross-currency interest rate swap	43	-	-	-
Forward freight agreements	-	757	-	757
Total financial liabilities at fair value	**2 017**	**6 166**	**1 973**	**6 166**
Other financial liabilities at amortised cost				
Accounts payable	4 261	937	4 361	937
Interest bearing debt, non-current	249 993	206 813	252 547	208 052
Interest bearing debt, current	23 836	22 473	23 838	22 473
Bond loan	78 105	80 649	75 456	78 097
Overdraft facility	2 409	-	2 409	-
Current debt to related parties	895	1 339	896	1 339
Total financial liabilities at amortised cost	**360 799**	**312 210**	**359 603**	**310 898**
Total financial liabilities	**362 815**	**318 375**	**361 677**	**317 062**
Total, current	31 601	24 748	31 601	24 748
Total, non-current	330 215	293 627	329 976	292 314

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 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 recognised 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.
- Fair value of derivatives is based on mark to market reports received from banks.

Accounting policy

Derivative financial instruments and hedge accounting
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.

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

As per 31 December 2021 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. 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:
- 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 recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit and loss. Amounts recognised as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or expense is recognised 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.

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 2021.

Financial assets at fair value through profit or loss			
Interest rate swaps	71		**71**
Financial assets at fair value through OCI			
Fuel hedge	18		**18**
Cross-currency interest rate swap	2 556		**2 556**
Forward freight agreements	660		**660**
Interest rate swaps	1 421		**1 421**

Financial liabilities at fair value through profit or loss			
Interest rate swaps	-		-
Financial liabilities not measured at fair value, but for which fair value is disclosed			
Mortgage debt, non-current		252 547	**252 547**
Mortgage debt, current		23 936	**23 936**
Overdraft facility		2 409	**2 409**
Bond loan	75 456		**75 456**
Financial liabilities at fair value through OCI			
Forward freight agreements	-		-
Interest rate swaps	1 973		**1 973**

13 Financial assets and financial liabilities

Financial assets at fair value through profit or loss			
Interest rate swaps	356		356
Financial assets at fair value through OCI			
Fuel hedge	67		67
Cross-currency interest rate swap	2 917		2 917
Interest rate swaps	154		154

Financial liabilities not measured at fair value, but for which fair value is disclosed			
Mortgage debt, non-current		208 052	208 052
Mortgage debt, current		22 473	22 473
Overdraft facility			
Bond loan	78 097		78 097
Financial liabilities at fair value through OCI			
Forward freight agreements	757		757
Interest rate swaps	5 409		5 409

Accounting policy

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:

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.

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.

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

	Liabilities				Equity		Total
Balance at 1 January 2021		493	22 473	287 462	135 734	80 799	490 486
Repayment of mortgage debt			(22 473)	(100 568)			(123 041)
Proceeds from mortgage debt				189 000			189 000
Transaction costs on issuance of loans				(1 944)			(1 944)
Interest paid	(13 970)						(13 970)
Paid in registered capital increase					24 977		
Transaction costs on capital increase					(878)		
Repayment of lease		(582)					(582)
Interest paid lease		(103)					(103)
Dividends						(7 204)	(7 204)
Total changes from financing cash flow	(13 970)	(685)	(22 473)	86 488	24 099	(7 204)	66 254
Liability-related							
Expensed capitalised borrowing costs				882			881
Non-cash movement		811	26 345	(26 633)			523
Total liability-related changes		811	26 345	(25 751)			1 404
Total equity-related other changes					(13)	21 002	20 989
Balance at 31 December 2021	-	618	26 345	328 198	159 819	94 597	566 104

	Liabilities				Equity		Total
Balance at 1 January 2020		407	17 367	203 140	136 197	76 744	417 721
Repayment of mortgage debt	(11 370)		(17 367)				(28 737)
Proceeds from mortgage debt				60 450			60 450
Repayment bond loans				(33 861)			(33 861)
Proceeds from bond loan				76 390			76 390
Transaction costs on issuance of loans				(1 914)			(1 914)
Purchase of own shares					(147)		(147)
Repayment of lease		(454)					(454)
Terminated financial instruments						(3 101)	(3 101)
Dividends						(4 802)	(4 802)
Total changes from financing cash flow	(11 370)	(454)	(17 367)	101 064	(147)	(7 903)	63 823
Liability-related							
Expensed capitalised borrowing costs				693			693
Non-cash movement		540	22 473	(27 435)			5 578
Total liability-related changes		540	22 473	(26 742)			6 271
Total equity-related other changes					(316)	11 958	11 642
Balance at 31 December 2020		493	22 473	287 462	135 734	80 799	490 486

❯ 14 Trade receivables and other current assets

Trade receivables from charterers	7 421	7 470
Contract assets	3 437	3 204
Prepaid expenses	2 467	4 538
Claims	378	167
Other short term receivables	4 780	3 122
Trade receivables and other current assets	**18 484**	**18 501**

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.

Claims consist of yard claims for vessels delivered in 2019 and are expected to be settled when all three vessels have completed guarantee repairs.

❯ 15 Cash and cash equivalents

The Group has bank deposits in the following currencies:

Bank deposits, NOK	9 340	633
Bank deposits, USD	44 092	64 670
Bank deposits, SGD	42	-
Cash	389	291
Payroll withholding tax account (restricted cash, NOK)	74	70
Total cash and cash equivalents	**53 937**	**65 665**

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

❯ 16 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. KCC aims at having an equity ratio above 40% and NIBD/EBITDA adjusted for delivery/sale of vessels below 5x but will be above during certain periods and the ability to withstand 12 months with weak markets/earnings. The equity ratio as of 31 December 2021 was 40 % (2020: 39 %) and cash was USD 53.9 million (2020: USD 65.7 million). In addition, the Group had USD 47.6 million in undrawn revolving and overdraft credit facilities available as of 31 December 2021. The Group's covenants are described in note 13.

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 are monitored to make sure that the Group has the necessary financial strength to continue as a going concern.

The Group aims to spend free cash flows as follows:

- Maintain and/or improve financial capacity and flexibility. To accommodate the business strategy, the Group needs to maintain a solid capital structure at all times and an acceptable level of free liquidity, at levels which will give sufficient assurance to the debt and equity providers that the Group's financial position is solid and sustainable.
- Maintain an attractive dividend policy. KCC targets to distribute a substantial part of the free cash flow to the shareholders.

The Group's capital structure consists of mortgage debt (note 13), bond loan (note 13), overdraft facility (note 13), cash and cash equivalents and equity attributable to the shareholders.

Risk Management
The objective for the Company's risk management and internal control is to manage, rather than eliminate exposure to risks to successfully conduct the Group's business and to support the quality of its financial reporting.

The risk assessment is a multi-disciplinary process performed on a quarterly basis. The value chain is assessed both upstream and downstream in addition to direct effects on KCC's business activities. All relevant risks are assessed based on defined impact and probability levels and focus on the next 12 months shown in the table below:

Low	< 3%	< USD 2 million
Medium	3 -30 %	USD 1 - 10 million
High	> 30 %	> USD 10 million

In addition to the specific assessment for the rolling 12 months period, an assessment for the main risks from 12 months - 10 years is included from time to time and at least on an annual basis. The risk management process includes the following:

* On a quarterly basis a cross-functional team (finance, commercial, operations, management) discusses the overall risk development with focus on main risks and new risks discovered, including assessing impact and probability for each risk and define potential mitigating actions for the main risks

* The main risks are reported and discussed with the Audit Committee and the Board of Directors on a quarterly basis, or more often if needed. A main risk is a risk already identified and well understood that could materially impact the financial results, reputation, business model, or strategy.
* When the combination of probability and impact is higher than what is accepted, mitigating actions are implemented either based on management decision or if relevant, after discussions with the Board of Directors

Main risks
The following table presents the risks considered to be the main risks for KCC over the next 12 months and the main longer-term risks

Main risks next 12 months		
CLEANBU introduction	Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks. Acceptance and/or exemptions in relation to the CLEANBU vessels from clients and terminals where policies require clean petroleum products (CPP) as the last two or three cargoes to avoid cargo contamination or where policies excludes use of combination carriers like the CLEANBU vessels Introduction of new ship types or concepts will normally require technical adjustments and modifications, which will take time and may lead to off-hire and delayed deliveries. There are outstanding guarantee items relating to two of the CLEANBU vessels, implying additional off-hire related to the repairs in 2022 and 2023. While the shipyard is obliged to bear the cost of repairs, additional related costs may incur, and off-hire will be borne by KCC unless covered by KCC's loss of hire insurance.	Operational
Weak freight rates and changes in trade flows	Freight rates are the main earnings driver for the Group. A fall in freight rates for dry bulk commodities or clean petroleum products can have a material effect on the financials of the Group. The effect of lower freight is somewhat offset by low historical correlation between dry bulk and product tankers freight rates. KCC is dependent on certain trade flows in order to obtain efficient combination trading. Production issues at plants and refineries in export regions as well as difference in regional commodity prices (arbitrage opportunities) may impact these trade flows.	Market
Caustic soda freight contract renewals	The Group is, to a certain degree, dependent on a limited number of key customers and renewal of key material contracts with these customers, particularly related to caustic soda transportation. Unfavorable changes in trade flows and volumes may adversely affect the Group's earnings and financial position.	Market
Russian invasion of Ukraine	Russian invasion of Ukraine has caused major disruptions in trade flows and financial markets as, amongst others, European Union, United States and the United Kingdom have imposed strict sanctions on the Russian Federation economy. Example of sanctions imposed are excluding several banks from the SWIFT payment system and imposing an embargo on import of oil and gas (US and UK). Furthermore, the war has negatively impacted the trade of commodities from/to Ukraine and Russia for key dry bulk commodities and for the oil and oil products trade as Ukraine ports have been closed and there is a general skepticism among oil companies, traders and shipowners to lifting oil. The Group does not have outstanding balances nor contracts with Ukrainian, Belarus or Russian companies and is as such not directly impacted by the war in Ukraine	Counterparty/credit, Market Operational, Compliance

Main long-term risks

Global economic growth and the impact on energy and commodity markets	Freight rates for global seaborne transportation is highly volatile and cyclical. The demand for global seaborne transportation depends on global economic growth, and in particular the development in the energy and commodities markets. Furthermore, the demand for seaborne transportation is dependent on open economies and low barriers to trade, trade restrictions such as tariffs and embargos can have a negative effect on the demand for seaborne transportation	Market
Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels	At COP26 in November 2021 it was agreed to secure global net zero by 2050. A move to a low-carbon economy can potentially have material negative impact on the Group through several channels. - Emerging propulsion technologies and fuels might have a material negative impact on the competitiveness of the Group's existing fleet - New regulations can lead to material cost related to upgrades and retrofits to comply with regulations and / or material impairment of operational flexibility and / or operational limitations - New regulations, such as the EU taxonomy, can reduce and restrict the access to capital - The demand for transportation of fossil fuels might be materially negatively impacted and hence the demand for dry bulk and product tanker vessels - New customer requirements can have a negative impact on the Group's competitive position However, KCC's combination carriers have a substantial carbon efficiency advantage versus existing standard vessels due to two trading legs, minimal ballast and trading flexibility, and this advantage will be strengthened further through KCC's ongoing energy efficiency program. Based on this efficiency advantage, KCC's combination carriers are likely to remain competitive throughout the next decades during which zero emission vessels are likely to be introduced to the market. Best estimate of the vessel life is expected to be 25 years.	Climate-related

Risk types

The risks have been divided into the following categories

Financial risk
The Group is exposed to e.g. freight rate risk, bunker fuel price risk, as well as risks relating to foreign currency exchange rates, interest rate, counterparties (including credit), operations, technical, regulations and other risks. The Group's executive management oversees that the management of these risks are governed by appropriate policies and procedures. The Board of Directors reviews and agrees policies for managing these risks. Risk management activities to reduce interest rate risk, freight rate risk and bunker fuel risk are further described in note 13.

Operational risk
Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klaveness 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 crew 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), physical damage to vessel and its equipment (Hull and Machinery) and total loss. 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.

The COVID-19 pandemic continued to have significant impact on vessel operations in 2021. The COVID-19 management plan with strict testing, quarantine procedures and routines for crew and visitors onboard the vessels worked as intended in 2021 with no infection cases onboard.

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 and forward freight agreements (FFA) covering part of the Group's future 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.

Foreign currency risk and interest rate risk
The Group's revenues 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's interest bearing debt is exposed to floating interest rate, and the Group has some of its costs in other currencies than USD. The Group has bond debt denominated in NOK with NIBOR + 475 bps margin, however, the FX-effect is currently fixed to USD and the floating interest rate exposure has been converted to a fixed USD interest rate. Long term mortgage debt bears interest at LIBOR plus an applicable margin. In order to hedge the risk, the Group has entered into interest rate swaps. At 31 December 2021, 38 % of the floating interest mortgage debt loans are hedged. The Group evaluates on an ongoing basis the need to adjust interest rate exposure

As of December 31, 2021 the publication of the one-week and two-month US Dollar (USD) London Interbank Offered Rate (LIBOR) ceased to be published on a representative basis. The remaining tenors of US Dollar LIBOR will cease to be published on a representative basis on June 30, 2023. The Group is exposed to LIBOR mainly in US dollar denominated debt and interest rate derivatives with interest rates indexed to LIBOR

The Group expects to initiate negotiations with counterparties to transition from LIBOR to an alternative benchmark within first half of 2023 for relevant agreements. As recommended by the Alternative Reference Rates Committee (a committee convened by the Federal Reserve), Secured Overnight Financing Rate (SOFR) will likely replace LIBOR as a standard interest rate benchmark. The impact on the Group of the transition from LIBOR to SOFR or any other alternative rates is still uncertain but may potentially lead to increased cost of debt.

The table below shows estimated changes in profit before tax for the Group from changes in interest rates in 2021 and 2020, with all other variables held constant. The changes are estimated based on a change in LIBOR given capital structure and hedges as of year-end 2021.

+100	- 1 680	- 1 210
+80	- 840	- 610
-80	120	180

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 cargo customer 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. If the Group has a legal right to insurance coverage the Group will make provision for the deductible amount. As such, default by an insurance institution may have material financial consequences.

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. However, there are concentration risk as deposits are held with only a few institutions.

Total unrisked credit exposure at 31 December 2021 amounts to USD 71.4 million, 2020: USD 84.2 million (book value of trade receivables, other current assets and bank deposits).

Liquidity risk
Liquidity risk is the risk that the Group may not be able to fulfil its liabilities when they fall due.

The Group has capital commitments relating to borrowings. The Group keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits, committed bank debt and estimated cash flow are considered sufficient for all needs in the foreseeable future. The Group's bank financing is subject to financial and non-financial covenants. The table below illustrates the timing and magnitude of the Group's financial liabilities.

Maturity profile of financial liabilities

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

Mortgage debt (inc. interests)	33 815	129 950	178 242	-	342 007
Bond loan (inc. interest)	4 737	9 513	77 110	-	91 382
Other interest bearing liabilities	2 409	-	-	-	2 409
Trade and other payables	16 199	-	-	-	16 199
Current debt to related parties	896	-	-	-	895
	58 075	**139 468**	**255 352**	-	**452 892**

Loan facilities to be refinanced during the next 12 months are included in <1 year.

Mortgage debt (inc. interests)	29 422	167 733	52 920	-	250 075
Bond loan (inc. interest)	4 737	9 513	80 474	-	94 900
Trade and other payables	13 165	-	-	-	13 165
Current debt to related parties	1 339	-	-	-	1 339
	48 663	**177 246**	**133 396**	-	**358 529**

Climate-related risks
Climate-related risks includes both transition risks and physical risks with focus on transition risks as this is considered to have a larger impact and probability for KCC. The risk mainly relates to effect of reduced demand for the Group's services and the risk of stranded assets and new regulations as the fleet moves to low-carbon fuel. For 2021, total fossil fuel shipments accounted for 17 % of the Group's transported volumes in metric tons.

Compliance risk
The legal and regulatory requirements of the company is increasingly challenging and complex. The Group has established systems and processes to ensure that all relevant laws and regulations are met, such as tax-laws, anti-corruption laws, securities laws, anti-trust laws and international sanctions. Two of the Group's subsidiaries are subject to the Norwegian tonnage tax regime. Non-compliance with the qualifying rules of this regime will have material negative impact on the Group's financial position.

❯ 17 Share options program

In December 2019, the Board approved the adoption of a share option program, and 65,280 share options to senior management (CEO and CFO) were issued at the same date. The share options have an exercise price of NOK 46.14, adjusted for any distribution of dividends made before the relevant options are excercised. The share options have a five year term and vest over a three year period equally at a rate of 1/3 of the number of share options granted on each annual anniversary of the date of grant, subject to the option holder continuing to be employed by the Company from the grant date through the applicable vesting date. The share options have no voting or other shareholder rights.

The fair value of the share options granted was calculated on the Black-Scholes-Merton method. The significant assumptions used to estimate the fair value of the share options are set out below.

Dividend yield (%)	-
Expected volatility (%)*	36 %
Risk-free interest rate (%)**	2.05 %
Expected life of share options (year)	3
Weighted average share price (NOK)	48

*The expected volatility reflects the assumption that the historical shipping industry average is indicative of future trends, which may not necessarily be the actual outcome.
**Average five-year Norwegian Government bond risk-free yield-to-maturity rate of 2.05 % as of 2021 was used as an estimate for the risk-free rate.

The following table summarizes the unvested option activity for the year ended December 31, 2021:

Outstanding at 1 January	NOK 46.14	65 280	65 280
Granted during the year		-	-
Exercised during the year		-	-
Forfeited during the year		-	-
Expired during the year		-	-
Outstanding at 31 December		**65 280**	**65 280**

The fair value of the share options granted is calcuated to USD 100k, i.e USD 1.542 per share option. The cost incurred in 2021 is USD 42k (2020: USD 39k).

❯ 18 Share capital, shareholders, dividends and reserves

A capital increase of USD 25 million was completed on 4 November 2021 through a private placement to fund energy efficiency initiatives for the existing fleet. The Board approved the allocation of 4 345 000 shares in the private placement at a price of NOK 49.00 per share.

Dividends of in total USD 7.2 million were paid to the shareholders in 2021 (in average USD 0.15 per share).

Share capital

Shares and sharecapital at 31 December 2019	**48 027 000**		**48 027 000**
Shares and sharecapital at 31 December 2020	**48 027 000**		**48 027 000**
Shares issued 4 November 2021	4 345 000	1	4 345 000
Shares and share capital at 31 December 2021	**52 372 000**		**52 372 000**

All shares have equal voting rights and equal rights to dividends. The ordinary shares are listed on Oslo Stock Exchange. KCC owns a total of 40,078 in treasury shares, corresponding to 0.0765 % of the total number of issued shares.

Basic earnings per Share (EPS) in Income Statment is calculated based on the weighted average number of ordinary shares for the period, whereas diluted earnings per Share (EPS) is based on all outstanding shares including dilutive shares if all convertible shares were excercised.

Weighted average number of ordinary shares for basic EPS	**48 677 360**	**47 994 928**
Effects of dilution from:		
Share options	65 280	65 280
Warrants	229 088	229 088
Weighted average number of ordinary shares for the effect of dilution	**48 971 728**	**48 289 306**

Rederiaksjeselskapet Torvald Klaveness	28 154 231	53,8 %
EGD Shipholding AS	8 805 128	16,8 %
Goldman Sachs & Co. LLC (nominee)	2 579 841	4,9 %
Hundred Roses Corporation	2 227 250	4,3 %
T.D. VEEN AS	1 000 000	1,9 %
Verdipapirfondet Nordea Norge Verdi	851 873	1,6 %
J.P. Morgan Bank Luxembourg S.A. (nominee)	727 066	1,4 %
Morgan Stanley & Co Int. Plc	492 908	0,9 %
SIX SIS AG (nominee)	463 933	0,9 %
Verdipapirfondet Nordea Norge Kapital	353 900	0,7 %
Other	6 715 870	12,8 %
TOTAL	**52 372 000**	**100 %**

Management and members of the Board which hold shares in the Company are set out below.

Engebret Dahm	Chief Executive Officer	20 532 (held through E Dahm Invest AS)
Liv Hege Dyrnes	Chief Financial Officer	6 500
Lasse Kristoffersen	Chair of the Board	3 000 (held through B7 Invest AS). Owns 0.7% of Rederiaksjeselskapet Torvald Klaveness which holds 28 154 231 shares
Morten Skedsmo	Board member	235
Magne Øvreås	Board member	Owns 8.5 % of EGD Shipholding AS which holds 8 805 128

In an Extraordinary General Meeting held on 14 September 2018, the Company issued 229,088 non-transferable warrants, each of which entitles the holder to subscribe one new share of the Company at a subscription price of NOK 44.38 per share.

The warrants for each subscriber may be exercised with one third from such time as when the Company's shares on a volume-weighted basis have traded at a price equal to minimum NOK 56.48 for ten consecutive trading days with an aggregate trading volume over such ten days of a minimum of USD 1 million. Another third may be exercised when there has been such trading at a price equal to a minimum of NOK 66.57, and the last third when there has been such trading at a price equal to a minimum of NOK 77.67. The warrants must be exercised no later than 24 September 2023. The exercise price and the threshold trading prices which trigger the right to exercise warrants shall be adjusted for paid dividends or other distributions to the shareholders.

Klaveness Ship Holding AS	158,377	44,38	55.48/66.57/77.67	September 2023
EGD shipholding AS	55,691	44,38	55.48/66.57/77.67	September 2023
Hundred Roses Corporation	14,020	44,38	55.48/66.57/77.67	September 2023
Total	**228,088**			

* Not adjusted for dividends

19 Transactions with related parties

The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 53.8 % of the shares in Klaveness Combination Carriers ASA

Net revenue from operation of vessels

Pool Participation	BAU	KCCC	Standard pool agreement**	3 735	-
Dry bulk	KAS	KCCC	1.25% of transaction value	(255)	(199)
Total net revenue from related parties				**3 480**	**(199)**

Relets of dry bulk cargoes between KCC Chartering AS and AS Klaveness Chartering (related party in the Torvald Klaveness Group) is made at spot pricing without any compensation either way.
** Hire from BAU to KCCC less pool fee from KCCC to BAU.

Business administration services	KAS	KCC ASA, on behalf of KCC companies	Cost + 5% or overhead per employee	1 457	1 734
Business administration services	KA Ltd	KCCA Ltd	Cost + 5%	119	-
Commercial management	KSM, KAS	KCCC	Cost + 7.5%	1 203	1 548
FFA trading	KAS	KCCC	0.1% of transaction value	49	16
Project management	KSM, KAS	KCCS, KCC	Cost + 7.5%	881	140
Total group commercial and administrative services				**3 708**	**3 438**

As of 1 June 2021, employment of four key employees in Singapore were transferred from Klaveness Asia Pte. Ltd to the newly established company, Klaveness Combination Carriers Asia Pte Ltd, 100 % owned by KCC ASA (parent company). Prior to the transfer, the services of these employees were purchased through Klaveness AS

All bunkers purchase is done through AS Klaveness Chartering (KC), a related party in the Torvald Klaveness Group, which holds the bunker contracts with the suppliers. The bunker purchase process has been centralized to enhance negotiating and purchasing power towards the suppliers. No profit margin is added to the transactions, but a service fee is charged on a cost-plus basis reflecting the time spent by the bunkering team and charged as part of the Business administration services from Klaveness AS.

Other services/transactions

Technical management fee (opex)	KSM	KCCS	Fixed fee per vessel	3 979	3 163
Crewing and IT fee (opex)	KSM	KCCS	Fixed fee per vessel	1 550	1 101
Supervision fee and project management fee (newbuilding)	KSM, KAS	KCCS	Partly cost and partly cost + 7.5%	1 333	1 779
Board member fee (administrative expenses)	KAS	KCC	Fixed fee as per annual general meeting	94	91
Sales support, sale of vessel (gain on sale of vessels) (note 7)	KAS	KCCS	Cost for time used + 7.5%	31	-
Technical management fee for termination of agreement (gain on sale of vessels)	KSM	KCCS	3 months termination period	44	-
Total other services/ transactions				**7 031**	**6 133**

KCC Chartering AS sold 105 days P4TC FFAs OTC for November and December 2021 to Baumarine AS, and 180 days P4TC for Q3 and Q4 2022 to AS Klaveness Chartering, related parties in the Torvald Klaveness Group, at screen market pricing. Credit premium has not been included as the companies have the same rating. Market value of portfolio with AS Klaveness Chartering was USD 660k as per 31 December 2021 presented as financial assets in Statement of Financial Position.

Klaveness Ship Management AS	1 502	-
Klaveness AS	12	741
Baumarine AS	505	-
Short-term receivables from related parties	**2 018**	**742**
AS Klaveness Chartering	660	-
Short- term financial assets	**660**	-
Klaveness AS	212	-
Klaveness Ship Management AS	341	1 127
Klaveness Chartering AS	312	211
Klaveness Asia Pte.Ltd	30	-
Short-term debt to related parties	**895**	**1 339**

Accounting policy

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.

*Klaveness AS (KAS), Klaveness Ship Management AS (KSM), Klaveness Asia Pte.Ltd (KA Ltd), Klaveness Combination Carrier ASA (KCC), KCC Shipowning AS (KCCS), KCC Chartering AS (KCCC), Klaveness Combination Carriers Asia Pte Ltd (KCCA Ltd), Baumarine AS (BAU)

20 List of subsidiaries

Klaveness Combination Carriers Asia Pte Ltd (Singapore) was incorporated on 22 March 2021 based on capital injection of USD 300 000 from Klaveness Combination Carriers ASA (100% ownership, 300 000 shares). The commercial and operation team of four employees were transferred from Klaveness Asia Pte Ltd to this company on 1 June 2021.

Klaveness Combination Carriers ASA Group comprises of several subsidiaries. Below is a list of subsidiaries within the Group.

KCC Shipowning AS	Oslo, Norway	100 %	100 %
KCC KBA AS	Oslo, Norway	100 %	100 %
KCC Chartering AS	Oslo, Norway	100 %	100 %
Klaveness Combination Carriers Asia Pte. Ltd	Singapore	100 %	-

21 Taxes

Tonnage tax
The vessel owning company (KCC Shipowning AS) and KCC Chartering AS are subject to taxation under the Norwegian tonnage tax regime. For the financial year 2021 KCC Shipowning AS and KCC Chartering AS have payable tonnage taxes of USD 221k.

Ordinary taxation
The Parent Company (Klaveness Combination Carriers ASA) and the subsidiary KCC KBA AS are under ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2021 (2020: 22 %). The subsidiary Klaveness Combination Carriers Asia Pte. Ltd is subject to ordinary taxation in Singapore. The ordinary tax rate in Singapore is 17 % for 2021. For the financial year 2021 KCC Asia Pte. Ltd has a payable tax expense of USD 7k.

The subsidiary KCC KBA AS has net taxable profit mainly as a consequence of exchange rate effects following an internal vessel sale within the Group. This is offset against tax losses carried forward in the holding company. MV Barracuda was resold to KCC Shipowning AS in February 2021, and no further taxable profits are expected in the future for this company.

Deferred tax assets
Deferred tax assets are only recognised to the extent that future utilisation within the Group can be justified as per 31 December 2021. As a consequence, a tax position of USD 9.7 million per 31 December 2021 has not been recognised in the balance sheet. The tax position is mainly due to accumulated financial costs deductible under the tonnage tax regime as well as a tax loss on the internal vessel sales which will be deductible at a rate of 20 % annually going forward.

Income taxes payable	7	-
Change in deferred tax	-	-
Total tax expense / income (-) reported in the income statement	**7**	**-**
Tax on net gain/(loss) on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

Profit / loss (-) before taxes, incl OCI	20 963	4 610	8 503	1 871
Income from shipping activity, tonnage tax system	(35 688)	(7 861)	(26 779)	(5 891)
Change in temporary differences	5 137	1 130	5 787	1 273
Change in tax losses carried forward	1 854	409	9 917	2 182
Exchange rate differences / Other permanent differences	7 737	1 702	2 572	566
Tax payable foreign subsidiaries		7		
Tax payable in the balance sheet	**-**	**7**	**-**	**-**
Effective tax rate		**0 %**		**0 %**
Tonnage tax (included in operating profit)		221		180
Correction prior year tonnage tax		5		(1)
Total tax payable in the balance sheet		**233**		**179**

Temporary differences	(14 899)	(3 278)	(9 762)	(2 148)
Tax losses carried forward	(29 057)	(6 392)	(27 199)	(5 984)
Deferred tax asset not recognised in the balance sheet	43 956	9 670	36 960	8 131
Net temporary differences - deferred tax liability/asset (-)	**-**	**-**	**-**	**-**
Deferred tax asset in balance sheet	**-**	**-**	**-**	**-**
Deferred tax liability in balance sheet	**-**	**-**	**-**	**-**

Accounting policy

Under the tonnage tax regime, profit from operations are tax exempt. Companies within the tonnage tax system pay a tonnage tax based on the deadweight tonnage of the vessels. The tonnage tax is recognised as an operating expense in the profit & loss. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses (based on financial assets in percent of total assets).

For companies subject to ordinary taxation, tax expense comprises tax payable and changes in deferred tax assets. Tax payable corresponds to the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognised to the extent that future utilisation is probable. Deferred tax liabilities/deferred tax assets within the same tax system that may be offset are recorded on a net basis. Income tax relating to items recognised directly in equity is included directly in equity and not in the statement of income.

22 Events after the balance sheet date

On 17 February 2022, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 5.2 million for Q4 2021 (USD 0.1 per share).

KCC has no exposure to Russia or Belarus and has decided to not conduct any business with companies owned or controlled by Russian or Belarusian interests. Further, KCC has exempted all Russian ports, in addition to the war zone in the Black Sea. While the effect of the war has been strengthening dry bulk, product tanker and fuels markets, the indirect longer-term effects of the war on KCC's markets are uncertain.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2021.

Klaveness Combination Carriers ASA – Parent Company

INCOME STATEMENT

Year ended 31 December

Service and management fee revenue	5	842	783
Total revenues		**842**	**783**
Group administrative services	5	(1 199)	(1 132)
Salaries and social expenses	6	(1 780)	(1 327)
Other operating and administrative expenses	7	(660)	(647)
Operating profit (EBITDA)		**(2 [illegible])**	**(2 442)**
Operating profit after depreciation (EBIT)		**(2 [illegible])**	**(2 442)**
Finance income	9	9 652	9 151
Finance expenses	9	(5 828)	(8 421)
Profit before tax		**939**	**(1 712)**
Income tax expenses	7	1 848	1 810
Profit after tax		**2 787**	**98**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

Profit after tax	**2 787**	**98**
Other comprehensive income to be reclassified to profit or loss		
Net movement fair value on cross-currency interest rate swaps (CCIRS)	(404)	(5 379)
Reclassification to profit and loss (CCIRS)	2 773	2 917
Other comprehensive income/(loss) for the period, net of tax	**2 368**	**(2 462)**
Total comprehensive income/(loss) for the period, net of tax	**5 155**	**(2 363)**
Attributable to:		
Equity holders of the parent company	(5 155)	(2 363)

*2020 is restated due to change from IFRS to simplified IFRS (note 11)

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The seal is a guarantee for the authenticity of the document.

Klaveness Combination Carriers ASA – Parent Company

STATEMENT OF FINANCIAL POSITION

Non-current assets			
Investment in subsidiaries	3	263 357	253 649
Deferred tax asset	7	-	-
Long-term loan to related parties	5	15 000	6 500
Financial assets	8	2 554	2 917
Other long-term receivables	5	70	70
Total non-current assets		**280 982**	**263 137**
Current assets			
Inventories		163	168
Trade receivables and other current assets		77	179
Cash and cash equivalents	4	21 029	15 004
Short-term loan to related parties	5	6 468	7 510
Short-term receivables from related parties	5	45	3 825
Total current assets		**27 782**	**26 686**
TOTAL ASSETS		**308 764**	**289 822**

Equity			
Share capital	Group 18	6 234	5 724
Share premium		243 034	219 478
Other reserves		(330)	(3 699)
Retained earnings		(26 077)	(16 100)
Equity attributable to equity holders of the parent		**222 880**	**205 403**
Non-current liabilities			
Bond loan	8	78 205	80 649
Financial liabilities	8	43	-
Total non-current liabilities		**78 248**	**80 649**
Current liabilities			
Current debt to related parties	5	1 099	180
Trade and other payables		6 536	2 590
Total current liabilities		**7 636**	**2 770**
Total equity and liabilities		**308 764**	**289 822**

*2020 is restated due to change from IFRS to simplified IFRS (note 11).

Oslo, 31 December 2021
Oslo, 28 March 2022

Lasse Kristoffersen	**Engebret Dahm**	**Winifred Patricia Johansen**
Chair of the Board	CEO	Board member
Magne Øvreås	**Rebekka Glasser Herlofsen**	**Morten Skedsmo**
Board member	Board member	Board member

Klaveness Combination Carriers ASA – Parent Company

CASH FLOW STATEMENT

Year ended 31 December

Profit before tax		830	(1 712)
Interest income		(1 254)	(88)
Interest expenses		5 050	4 078
Group Contribution	9	(8 398)	(8 231)
Amortization of transaction cost on issuance on loans		253	373
Financial derivatives loss / gain (-)		-	1 632
Gain (-)/loss on foreign exchange		825	791
Change in current assets		102	(25)
Change in current liabilities		215	167
Change in other working capital		1 226	(8 806)
Interest received		1 089	88
A: Net cash flow from operating activities		**(253)**	**(11 731)**
Investment in subsidiaries	3	(300)	-
Long term loan to related parties	5	(17 790)	(19 570)
Repayment of loan to related parties	5	10 500	13 000
B: Net cash flow from investment activities		**(7 590)**	**(6 570)**
Proceeds from bond loan	8	-	76 390
Transaction costs on issuance of loans		-	(1 715)
Repayment of bond loan	8	-	(35 881)
Interest paid		(5 041)	(4 117)
Terminated financial instruments		-	(3 101)
Purchase of own shares	Group 18	-	(147)
Paid in registered capital increase	Group 18	24 977	-
Transaction costs on capital increase	Group 18	(878)	-
Group contribution		2 796	-
Dividends	Group 18	(7 204)	(4 802)
C: Net cash flow from financing activities		**14 650**	**26 646**
Net change in liquidity in the period (A + B + C)		6 766	10 346
Net foreign exchange difference		(742)	
Cash and cash equivalents at beginning of period		15 004	4 658
Cash and cash equivalents at end of period	4	21 029	15 004
Net change in cash and cash equivalents in the period		**6 766**	**10 346**

*2020 is restated due to change from IFRS to simplified IFRS (note 11).

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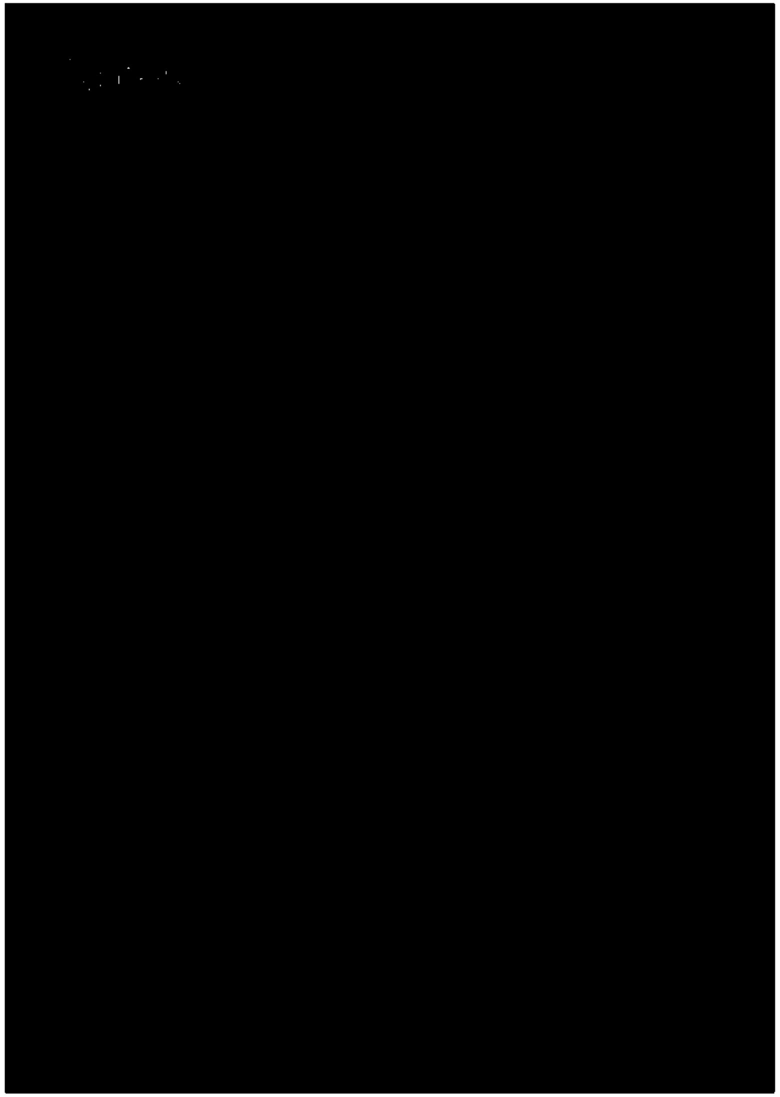

Klaveness Combination Carriers ASA – Parent Company

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
Equity at 1 January 2021	**5 724**	**219 478**	**(147)**	**(2 552)**	**(16 100)**	**206 403**
Profit (loss) for the period					2 787	2 787
Other comprehensive income for the period				2 368		2 368
Dividends					(10 964)	(10 964)
Capital increase (4 November 2021)	510	23 576				24 086
Tax effect of group contribution received					(1 848)	(1 848)
Share option program (Group note 17)					47	47
Equity at 31 December 2021	**6 234**	**243 054**	**(147)**	**(183)**	**(26 077)**	**222 880**

Equity at 1 January 2020	**5 724**	**219 478**	**-**	**(91)**	**(8 184)**	**216 928**
Profit (loss) for the period					94	94
Other comprehensive income for the period				(2 462)		(2 462)
Purchase of own shares (Group note 18)			(147)			(147)
Dividends					(6 243)	(6 243)
Tax effect of group contribution received					(1 810)	(1 810)
Share option program (Group note 17)					39	39
Restated* Equity at 31 December 2020	**5 724**	**219 478**	**(147)**	**(2 552)**	**(16 100)**	**206 403**

*2020 is restated due to change from IFRS to simplified IFRS (note 11)

01 Accounting policies

Basis of preparation

Klaveness Combination Carriers ASA ("Parent Company") is a public limited company domiciled and incorporated in Norway. The Parent Company is headquartered and registered in Drammensveien 260, 0283 Oslo. Klaveness Combination Carriers ASA was established March 23, 2018. The share is listed on Oslo Stock Exchange with ticker KCC (transferred from Euronext Expand as per 21 December 2021).

The financial statements as per 31 December 2021 of Klaveness Combination Carriers ASA (referred to as the Company/the Parent Company) have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

Accounting principles for the consolidated statement of Klaveness Combination Carriers ASA (the Group) also apply to the Parent Company except treatment of the dividends – see accounting policies related to dividend presented as part of the consolidated Group accounts.
The main activity of the Company is to be a holding company in the Group, which owns and operates combination carriers.

Dividend income

Dividend income and/or Group contribution (for the year ended 31 December 2021) are recognised in Company's financial statements as financial income and current assets per year-end 2021.

Dividend distribution/Group contribution

Distribution of dividends are approved by the Board of Directors based on authorisation from the Annual General Meeting. Dividend distribution to the Company's shareholders is recognised as a liability at the reporting date of the financial year that the proposal of dividend relates to (i.e. dividends for 2021, approved by the Board of Directors 17 February 2022, are recognised as a liability as per 31 December 2021).

02 Operating expenses

Statutory audit	107	71
Other assurance services from auditor	26	15
Total	**133**	**86**

Auditor's fee are stated excluding VAT.

03 Investment in subsidiaries

KCC Chartering AS	Oslo, Norway	100 %	7 456	7 456
KCC Shipowning AS	Oslo, Norway	97 %	240 093	240 093
KCC KBA AS	Oslo, Norway	100 %	15 507	6 100
KCC Asia Pte. Ltd	Singapore	100 %	300	-
Investment in subsidiaries			**263 357**	**253 648**

Klaveness Combination Carriers Asia Pte Ltd (Singapore) was incorporated on 21 March 2021 with a capital injection of USD 300 000 from Klaveness Combination Carriers ASA (100% ownership, 300 000 shares).

Accounting policy

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

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.

04 Cash and cash equivalents

The Company has bank deposits in the following currencies:

Bank deposits, USD	12 282	14 804
Bank deposits, NOK	8 672	130
Payroll withholding tax account (restricted cash, NOK)	74	70
Total cash and cash equivalents	**21 028**	**15 004**

05 Transactions with related parties

Service agreements
The Parent Company has six employees as per year end 2021. The Parent Company delivers administrative and business management services and commercial management services to subsidiaries. The level of fees are based on cost + a margin in accordance with the arm's length principle and OECD guidelines.

Business administration services	KCCS	Cost + 5 %	325	286
Business administration services	KCC KBA AS	Cost + 5 %	14	32
Business administration services	KCCC	Cost + 5 %	364	81
Commercial management services	KCCC	Cost + 7.5 %	139	364
Service and management fee revenue			**842**	**763**

Klaveness AS and Klaveness Ship Management AS delivers administrative, commercial and project management services such as accounting, legal, IT, project and office services to Parent Company. The level of fees are based on cost + a margin in accordance with the arm's length principle and OECD guidelines.

Business administration services	KAS	Cost + 5% or overhead per employee	780	952
Business administration services	KSM	Cost + 5% or overhead per employee	-	71
Project management	KSM	Cost + 7.5%	424	118
Board member fee	KAS	Fixed fee as per annual general meeting	94	91
Group administrative services			**1 298**	**1 232**

Interest income loan to related party	KCCS	2.2 %	760	250
Interest income loan to related party	KCC KBA	4.3 %	50	534
Interest income loan to related party	KCCC	3.65 % (3.4 % prior to 29.3.21)	394	49
Interest cost loan agreement	KCCS	Libor 3M + 2.2 %	-	(14)
Interest cost loan agreement	KCC KBA	Libor 3M + 6.5 %	-	(3)
Interest income and expenses to related party (note 9)			**1 204**	**817**

Intercompany balances

Short-term receivables from related parties	KCCS	23	578
Short-term receivables from related parties	KCCC	22	458
Short-term receivables from related parties	KCC KBA	-	96
Net Group Contribution	KCC KBA	-	2 494
Short-term loan to related parties	KCCC	-	7 510
Short-term loan to related parties	KCCS	6 165	-
Short-term loan to related parties	KCC KBA	300	-
Current assets to related parties		**6 510**	**11 136**

Long-term receivables to related parties	KCCC	15 000	-
Long-term receivables to related parties	KCC KBA	-	4 500
Other long-term receivables (loan to employees)	Employees	70	70
Long-term assets to related parties		**15 070**	**4 570**

KCC, as lender, has provided loans to subsidiaries KCC Chartering AS (USD 15 million), KCC Shipowning AS (USD 6.1 million) and KCC KBA AS (USD 300k).

Loan to employees (and affiliates to employees) has been made in connection with employees purchase of shares in the company. Interest rate in the loans are set in accordance with "Normal interest rate for the taxation of low-cost loans from an employer".

Short-term debt to related parties	KAS	128	62
Short-term debt to related parties	KCCC	57	-
Short-term debt to related parties	KCCS	25	-
Short-term debt to related parties	KSM	5	118
Short-term debt to related parties	KCC KBA	2	-
Net Group Contribution	KCC KBA	882	-
Current debt to related parties		**1 099**	**180**

Klaveness Combination Carriers ASA receives a Group Contribution with tax effect of MNOK 74.2 (USD 8.4 million) for 2021 and provides a Group Contribution without tax effect of MNOK 82 (USD 9.3 million) in 2021, both towards the subsidiary KCC KBA AS. Refer also to Changes in Equity and note 7 Taxes.

*Klaveness AS (KAS), Klaveness Ship Management AS (KSM), KCC Shipowning AS (KCCS), KCC Chartering AS (KCCC), KCC KBA AS (KCC KBA)

06 Salary

Salaries and other remuneration	1 679	1 247
Pension benefit	83	66
Other social costs	7	5
Other personel related expenses	11	8
Salaries and social expense	**1 780**	**1 327**

The Company has six employees as per year end 2021. For more information related to salary expenses - see Group note 7

07 Tax

The Company is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2021 (22 % in 2020). The Company has a positive result before tax, however a group contribution with tax effect of USD 8.4 million is recognised as financial income, but tax exempt under the tax exemption method, and therefore not part of taxable income. As a consequence of this contribution, the company has a net positive tax expense of USD 1.8 million.

Tax payable	-	-
Effect of the Group contribution	1 848	1 810
Total tax expense / income (-) reported in the income statement	**1 848**	**1 810**
Tax on net gain/loss on cash flow hedges	-	-
Deferred tax charged to OCI	-	-

Profit / loss (-) before taxes, inc. OCI	938	207	(1 712)	(377)
Non-deductible expenses	2	0	7	2
Transaction cost capital increase charged over equity	(863)	(190)	-	-
Dividends/group contribution from investments covered by the tax exemption model	(8 398)	(1 848)	(8 228)	(1 810)
Unrealized gain/loss on financial instruments valued at fair value	305	67	(2 917)	(642)
Change in tax losses carried forward	(1 580)	(348)	6 999	1 540
Total tax basis and tax payable before group contribution	**(9 596)**	**(2 111)**	**(5 851)**	**(1 287)**
Group contribution from KCC KBA AS	8 398	1 848	8 228	1 810
Exchange rate differences	1 198	263	(2 377)	(523)
Tax payable in the balance sheet	-	-	-	-
Effective tax rate		0 %		0 %

Temporary differences	-	-	-	-
Intercepted interest carry forward	(1 328)	(292)	(1 375)	(303)
Tax losses carried forward	(14 047)	(3 090)	(16 174)	(3 558)
Unrealised gain/loss financial instruments	2 513	553	2 917	642
Deferred tax asset not recognised in the balance sheet	12 862	2 830	14 632	3 219
Net temporary differences - deferred tax liability/asset (-)	-	-	-	-
Deferred tax asset/liability in balance sheet	-	-	-	-

08 Financial assets and financial liabilities

The Company holds a bond loan of NOK 700 million (KCC04) which is listed on Oslo Stock Exchange. The bond loan has a bullet structure with no repayment until maturity in February 2025. The bond carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a. with quarterly interest payments.

The total bond loan was swapped to USD with fixed rate (cross currency interest rate swaps (CCIRS)). The CCIRS qualify for hedge accounting and are recognised at fair value with changes through other comprehensive income.

KCC04	700 000	11.02.2025	80 649
Exchange rate adjustment			(1 430)
Capitalised expenses			(779)
Bond discount			(234)
Total bond loan	**700 000**		**78 205**

Maturity profile to financial liabilities at 31 December 2021

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including interest payments and interest hedge.

Bond loan (inc. interests)	(4 757)	(9 515)	(77 110)	-	**(91 382)**

Covenants

As per 31 December 2021, the Company is in compliance with all financial covenants. Covenants relate to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million) on a consolidated basis.

Financial instruments at fair value through OCI		
Cross-currency interest rate swap	2 356	2 917
Financial assets	**2 356**	**2 917**
Current	-	-
Non-current	2 356	2 917

Financial instruments at fair value through OCI		
Cross-currency interest rate swap	43	-
Financial liabilities	**43**	-
Current	-	-
Non-current	43	-

KCC guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the lending banks for the mortgage vessels loans including unpaid interest, costs and hedging agreements. As of 31.12.2021 sum of loans, accrued interest and net mark-to-mark on hedging contracts amounts to USD 276 million.

Loans	273 929	230 524
Net MtM hedging agreements	553	5 053
Accrued unpaid interest	1 355	1 262
Total	**275 837**	**236 839**

09 Financial items

Other interest income	50	702
Gain on foreign exchange	-	-
Group contribution (note 5)	8 398	8 231
Other financial income from related parties (note 5)	1 204	219
Finance income	**9 652**	**9 152**

Interest paid to related parties	-	16
Other interest expenses	580	581
Interest expenses bond loan	4 371	4 062
Amortization capitalized fees on loans	233	373
Other financial expenses	90	844
Loss on foreign exchange	525	-
Fair value changes and interest rate swaps	-	2 546
Finance expenses	**5 838**	**8 421**

10 Events after the balance sheet date

On 17 February 2022, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 3.2 million for Q4 2021 (USD 0.1 per share).

There are no other events after the balance sheet date that have material effect on the Financial Statement as of 31 December 2021.

11 Restatement of 2020

Operating profit after depreciation (EBIT)	**(2 442)**		**(2 442)**
Finance income	921	8 231	9 152
Finance costs	(8 421)	-	(8 421)
Profit before tax	**(9 943)**	**8 231**	**(1 712)**
Income tax expenses	1 810	-	1 810
Profit after tax	**(8 133)**	**8 231**	**98**

Total comprehensive income/(loss) for the period	**(10 594)**	**8 231**	**(2 363)**

Non-current assets			
Investment in subsidiaries	248 115	5 534	253 649
Deferred tax asset	1 810	(1 810)	-
Total non-current assets	**249 925**	**3 724**	**253 649**
Current assets			
Short-term receivables from related parties	1 129	2 696	3 825
Total current assets	**33 477**	**2 696**	**36 173**
TOTAL ASSETS	**283 402**	**6 420**	**289 822**
Equity			
Share capital	5 724	-	5 724
Share premium	219 478	-	219 478
Other reserves	(2 699)	-	(2 699)
Retained earnings	(21 080)	4 980	(16 100)
Total equity	**201 423**	**4 980**	**206 403**
Total non-current liabilities	**80 640**	-	**80 640**
Trade and other payables	1 339	1 440	
Total current liabilities	**1 339**	**1 440**	**2 779**
TOTAL EQUITY AND LIABILITIES	**283 402**	**6 420**	**289 822**

Equity at 1 January 2020	**5 724**	**219 478**	**0**	**(91)**	**(8 184)**	**216 927**
Profit (loss) for the period					(8 133)	(8 133)
Other comprehensive income for the period				(2 462)		(2 462)
Purchase of own shares (Group note 14)			(147)			(147)
Dividends					(4 803)	(4 803)
Share option program (Group note 17)					39	39
Equity at 31 December 2020	**5 724**	**219 478**	**(147)**	**(2 552)**	**(21 080)**	**201 423**
Adjustments						
Profit (loss) for the period					8 231	8 231
Net group contribution received/(paid) with tax effect (2020)					(1 810)	(1 810)
Dividends					(1 440)	(1 440)
Restated* Equity at 31 December 2020	**5 724**	**219 478**	**(147)**	**(2 552)**	**(16 100)**	**206 403**

Klaveness Combination Carriers ASA (Parent Company) changed from IFRS to simplified IFRS reporting as per 31 December 2021 with retrospective effect. Income Statement, Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity for 2020 have been restated to reflect the change in accounting policy for dividends/group contribution. For the Cash Flow Statement, the adjustment results in effects on profit before tax and group contribution with no effects on net cash flow from operation activities for 2020.

› Responsibility statement

We confirm that, to the best of our knowledge, the consolidated financial statements for the period 1 January to 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and give a true and fair view of the Company's assets, liabilities, financial position and profit. We also confirm, to the best of our knowledge, that the Board of Directors' Report includes a fair review of important events that have occurred during the financial year and their impact on the consolidated financial statements of Klaveness Combination Carriers ASA, and a description of the principal risks and uncertainties for 2022.

Oslo, 31 December 2021
Oslo, 18 March 2022

Lasse Kristoffersen Chair of the Board	**Engebret Dahm** CEO	**Winifred Patricia Johansen** Board member
Magne Øvreås Board member	**Rebekka Glasser Herlofsen** Board member	**Morten Skedsmo** Board member

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of the document

› Auditors report


Klaveness
Combination Carriers
Annual Report 2021

Skatteetaten

Vår dato	Din dato	Saksbehandler
06.08.2018	26.06.2018	Torstein Kinden Helleland
800 80 000	Din referanse	Telefon
Skatteetaten.no	Ingri Langemyhr	22078139
Org.nr	Vår referanse	Postadresse
996250318	2009/275763	Postboks 9200 Grønland 0134 Oslo

AS KLAVENESS CHARTERING
Postboks 182 Skøyen
0212 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk

Det vises til deres brev av 26. juni 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for følgende selskaper;

Klaveness Combination Carriers AS	**org.nr. 920 662 838**
Klaveness Digital AS	**org.nr. 920 042 554**
Cargo Intelligence AS	**org.nr. 920 042 422**

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering de overnevnte selskaper dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Selskapene som søker om dispensasjon ble stiftet i 2017/8 og inngår i Torvald Klaveness Gruppen. Selskapene som inngikk i Torvald Klaveness Gruppen fikk i vedtak (2009/275763) av 25. januar 2010 dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk språk. Selskaper som har kommet til senere har også fått dispensasjon. Det søkes derfor om dispensasjon for disse nye selskapene. Øvrige forhold som ble lagt til grunn i det tidligere vedtaket er fortsatt gjeldende.

Skattedirektoratets vurdering
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.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapene som søker om dispensasjon er nye selskaper som inngår i et konsern som tidligere er gitt dispensasjon.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Jeanette Munkvold Skovholt
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Combination Carriers ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Combination Carriers ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders in 2018

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting estimates related to vessels

Basis for the key audit matter
The Group has eight CLEANBU vessels and eight CABU vessels in operation as of year-end 2021 after completing the newbuilding program during the year.

The accounting estimates for these assets have a material impact for the Group due to their cumulative value and long-lived nature. The key estimates requiring judgment include determination of useful lives and residual values, identification of cash generating units (CGU), evaluation of indicators of impairment, and if present, testing carrying values for impairment based on estimated recoverable amounts. As these estimates have material impact for the Group, this was considered a key audit matter.

Management estimated useful lives based on experience as well as industry practice for conventional dry bulk and tanker vessels respectively and considering the risk of assets becoming stranded. The residual value has been based on an average of observable recycling prices, considering the expected impact of the EU Ship Recycling Regulation for safer and greener recycling. We compared the estimates of useful lives and residual values to industry practice, available data for green recycling, experience from prior years and plans for docking and maintenance. We further recalculated depreciations for the year.

Management considers the fleet of CLEANBU and the fleet of CABU as separate cash generating units ("CGUs") in their assessment of impairment indicators. Management did not identify indicators of impairment for the CGUs, and therefore no impairment test was performed. The assessment included an evaluation of external and internal factors, including market rates, changes in technological, economic or legal environment, changes to discount rates, market capitalization, physical damage and actual utilization of the vessels.

Our audit response
Based on our understanding of the nature of the Group's business and the economic environment in which its vessels operate, we assessed the determination of the different CGUs that make up the Group.

We evaluated the management's estimation of useful lives and residual value, and compared these to industry practice, experience with similar type of vessels and environmental developments.

We reviewed the potential indicators of impairment that would require impairment testing of CGUs and evaluated management's assessment of indicators.

Finally, we read the disclosure regarding these judgments, which are included in note 9 of the Group's consolidated financial statements.

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Chief Executive Officer) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act and of the consolidated financial statements of the Group 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 and the Group'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 the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 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.

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- 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 and the Group'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 and the Group'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 and the Group 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 the board of directors 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of Klaveness Combination Carriers ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name KCCASA-2021-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

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Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 29 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Johan Nordby
Statsautorisert revisor
På vegne av: Ernst & Young AS
Serienummer: 9578-5997-4-729076
IP: 213.52.xxx.xxx
2022-03-29 07:37:17 UTC

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