Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	963 109 288
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KCC SHIPOWNING AS
Forretningsadresse:	Drammensveien 260
	0283 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Solveig Sundby
Dato for fastsettelse av årsregnskapet:	30.03.2022

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, 02.06.2023

Brønnøysundregistrene
Postadresse: 8910 Brønnøysund
Telefoner: Opplysningstelefonen 75 00 75 00 Telefaks 75 00 75 05
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Operating revenue, Vessels	3	110 400 000	74 159 000
Other operating income	3	482 000	
Gain on sale of vessels	7	4 421 000	6 533 000
Other income	3	1 422 000	
Sum inntekter		**116 725 000**	**80 692 000**
Kostnader			
Operating expenses, vessels	2	48 860 000	33 799 000
Lønnskostnad			0
Ordinary depreciation	6,7	31 144 000	19 356 000
Group adminstrative services	16	1 146 000	654 000
Tonnage tax		214 000	180 000
Other operating and adminstrative	4	217 000	108 000
Sum kostnader		**81 581 000**	**54 097 000**
Driftsresultat		**35 144 000**	**26 595 000**
Finansinntekter og finanskostnader			
Finance income	5	244 000	4 975 000
Sum finansinntekter		**244 000**	**4 975 000**
Finance cost	5	10 607 000	8 298 000
Sum finanskostnader		**10 607 000**	**8 298 000**
Netto finans		**-10 363 000**	**-3 323 000**
Ordinært resultat før skattekostnad		**24 781 000**	**23 272 000**
Income tax expenses	5	0	0
Ordinært resultat etter skattekostnad		**24 781 000**	**23 272 000**
Årsresultat		**24 781 000**	**23 272 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Right-of use asset	8	1 553 000	1 544 000
Sum immaterielle eiendeler		**1 553 000**	**1 544 000**
Varige driftsmidler			
Vessels	7	558 837 000	379 355 000
Newbuilding contracts	9	0	48 441 000
Sum varige driftsmidler		**558 837 000**	**427 796 000**
Finansielle anleggsmidler			
Lån til tilknyttet selskap og felles kontrollert virksomhet	10		46 737 000
Financial assets	12	1 492 000	510 000
Sum finansielle anleggsmidler		**1 492 000**	**47 247 000**
Sum anleggsmidler		**561 882 000**	**476 587 000**
Omløpsmidler			
Varer			
Inventories		1 302 000	888 000
Sum varer		**1 302 000**	**888 000**
Fordringer			
Short term loan to related parties	15	0	1 722 000
Short term receivables from related parties	15	15 054 000	10 822 000
Other short-term receivables	10	1 083 000	786 000
Prepaid expenses		1 966 000	4 061 000
Sum fordringer		**18 103 000**	**17 391 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	32 018 000	41 770 000
Sum bankinnskudd, kontanter og lignende		**32 018 000**	**41 770 000**
Sum omløpsmidler		**51 423 000**	**60 049 000**

Balanse

Beløp i: USD	Note	2021	2020
SUM EIENDELER		**613 305 000**	**536 636 000**

BALANSE - EGENKAPITAL OG GJELD

Egenkapital			
Innskutt egenkapital			
Share capital	16	298 000	298 000
Overkurs		151 340 000	151 340 000
Sum innskutt egenkapital		**151 638 000**	**151 638 000**
Opptjent egenkapital			
Retained earnings		168 085 000	138 811 000
Sum opptjent egenkapital		**168 085 000**	**138 811 000**
Sum egenkapital		**319 723 000**	**290 449 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14	249 993 000	206 813 000
Long term lease liability	8	1 008 000	1 141 000
Finanical liability	12	1 973 000	5 409 000
Sum annen langsiktig gjeld		**252 974 000**	**213 363 000**
Sum langsiktig gjeld		**252 974 000**	**213 363 000**
Kortsiktig gjeld			
Short-term mortage dept	14	23 936 000	22 473 000
Current dept to related parties	15	7 257 000	2 226 000
Leverandørgjeld		2 613 000	1 113 000
Short-term lease liabilities	8	618 000	458 000
Tonnage tax payable	6	220 000	175 000
Other current liabilities		5 963 000	6 379 000
Sum kortsiktig gjeld		**40 607 000**	**32 824 000**
Sum gjeld		**293 581 000**	**246 187 000**

Balanse

Beløp i: USD	Note	2021	2020
SUM EGENKAPITAL OG GJELD		**613 304 000**	**536 636 000**

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCC Shipowning AS

Opinion

We have audited the financial statements of KCC Shipowning AS (the Company), which 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 and 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 International Financial Reporting Standards as adopted by the EU.

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 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.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Oslo, 30 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

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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
2022-03-30 13:21:01 UTC

KCC SHIPOWNING AS

BOARD OF DIRECTORS' REPORT 2021

KCC Shipowning AS ("KCCS" or the "Company") was incorporated 1 January 1992 and is owned by Klaveness Combination Carriers ASA (97%) and KCC Chartering AS (3%). KCCS is located in Oslo, Norway. The Company's main activity is shipping investments in combination carriers. As per year-end 2021, the Company's fleet consisted of eight CABU and eight CLEANBU combination carriers. The CABU vessels have capacity to transport caustic soda (CSS), liquid fertilizer (UAN) and molasses as well as all dry bulk commodities. The CLEANBU vessels are both fully fledged LR1 product tankers and Kamsarmax dry bulk vessels. The Company is subject to the Norwegian tonnage tax system.

The business

Safety is first priority in KCCS 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 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, KCCS vessels 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. 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.

The vessels owned by the Company are managed by the chartering company KCC Chartering AS covering chartering and vessel operation. In addition to operating according to technical precautions established in ISM and MARPOL to protect the environment, the Company seeks to reduce the burden on the environment by increasing the efficiency of transport and reducing ballast voyages. The vessels are all under the technical management of Klaveness Ship Management AS. To meet the requirements related to safety and environment as well as to prevent pollution, significant resources are used on quality- and risk management. All vessels are operated under the principles for quality control in accordance with the ISM code.

The three remaining CLEANBU vessels were delivered during 2021, concluding the Company's newbuilding program. Further, the Company repurchased MV Barracuda from KCC KBA AS for a total amount of USD 51.4 million. The pricing was based on a discounted cash flow model. In December, MV Banasol was sold to an external buyer. A gain of USD 4.4 million has been recognized in financial statement 2021. See cash flow movements from investments for further information.

CABU

The CABU vessels are mainly employed in combination trades with shipments of caustic soda for customers in the Australian and Brazilian alumina industry and dry bulk return shipments with alumina, bauxite, iron ore and coal. Caustic soda shipments are mainly based on contracts of affreightment, while dry cargoes are partly spot and partly contract shipments.

The CABU fleet delivered the highest time charter earnings since 2015 on the back of high caustic soda volumes and strong dry bulk markets. 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 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.

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[1]. The share of days in main combination trades for the CABU vessels ended at 69 % for 2021, down from 75% in 2020. Four vessels were dry-docked in 2021 with in total 142 scheduled off-hire days. Unscheduled off-hire ended at 46 days, down from 77 days in 2020, mainly due to deviations for crew changes and other deviations related to COVID-19.

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.

CLEANBU

The CLEANBU fleet continued to expand its activities. A milestone was achieved in July 2021 as a clean petroleum product (CPP) contract of affreightment (COA) was secured with one of the main players in the industry. Despite an increase in share of days in combination trading and lower ballast percentage, TCE-earnings have decreased year on year as a result of the strong tanker market in 2020.

Three CLEANBU newbuilds were delivered in 2021 marking the end of this newbuild program. In addition, MV Barracuda was repurchased from KCC KBA AS in February 2021. The commercial phase-in of the vessels has shown good progress with expansion of combi-trading patterns as well as successful performance at new terminals for new customers.

Average TCE earnings for the CLEANBU fleet for 2021 ended at $20,195/day for the year, a multiple of 1.9 to standard spot earnings for standard LR1-tankers[2] in 2021 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. 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 85 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 development

Earnings of KCCS is mainly influenced by the standard MR-and LR-product tankers and Panamax/Kamsarmax dry bulk markets in addition to the price of bunker fuels, as the capabilities of the vessels correspond to these standard vessels.

Dry bulk

Dry bulk freight rebounded strongly in 2021 and delivered the highest earnings since 2008 with an average P5TC3 of $26,735/day. The global dry bulk demand growth accelerated from 2.1% in 2020 to 4.9% 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.

[1] Average MR TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[2] Average LR1 TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.

Product tanker

2021 was an overall weak year for product tankers. The 2021 average TC5 TCE ended at around $6,200/day, down from $19,400/day in 2020. Product tanker demand increased by 8% 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 cargos in response to the low rates for crude tankers and destocking of oil inventories.

Consumption increased 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 101.6mn bbl/day at the end of 2021. 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.

With regards 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 prices

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 and risk management

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

Market risk

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

Commercial risk

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

Financial risks
A large part of the Company's costs and income are in USD; hence the currency exposure is limited. Interest rate exposure is hedged through swaps and open exposure is limited.

In 2021 the Company refinanced the 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 Company'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.

Current cash, available undrawn credit and projected operating cash flow are considered sufficient to cover the Company's commitments within the next 12 months.

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

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

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

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

Net result and financial position

Operating revenue for 2021 was USD 110.9 million (2020: USD 74.2 million) and operating expenses in total amounted to USD 48.9 million (2020: USD 33.8 million). The increase is mainly due to a larger vessel fleet. The Company sold one of the oldest vessels MV Banasol in 2021 and a gain of USD 4.4 million has been recognized in 2021.

The Company took delivery of three CLEANBU vessels during 2021. Operating profit before depreciation was USD 66.3 million for 2021 (2020: 46.0 million). Net financial items were negative by USD 10.4 million in 2021 up from negative USD 3.3 million in 2020. The negative effect from net financial items is mainly related to interest expenses related to mortgage debt for a larger fleet. Net profit after tax was USD 24.8 million for 2021 (2020: USD 23.3 million).

Total assets increased by USD 76.7 million in 2021 from USD 536.6 million at year-end 2020 to USD 613.3 million. The main reasons for the change is the delivery of three CLEANBU vessels, and the sale of MV Banasol. Interest-bearing debt increased by USD 44.6 million during 2021 and amounted to USD 273.9 million at year end 2021. As of 31.12.21 the equity amounts to USD 319.7 million (2020: USD 290.4 million). Total comprehensive income was positive by USD 29.3 million. The book equity ratio at year end 2021 was 52 % (2020: 54 %).

Cash and bank deposits were USD 32.0 million by the end of 2021, down from USD 41.8 million at year end 2020. The cash flow from operating activities was USD 64.9 million in 2021 (2020: USD 40.2 million), while cash flow from investing activities was negative USD 108.3 million (2020: negative USD 85.0 million). The latter consists mainly of installments and cost on newbuilding contracts, repurchase of MV Barracuda, sales of vessel and upgrading/docking of existing vessels. The cash flow from financing activities was USD 33.7 million (2020: USD 34.8 million) whereof proceeds from mortgage debt exceeded debt repayment and interests.

The Company has no employees. The Board of Directors consists of two men and one woman.

The Company has taken out insurance cover potential litigations against the board members and general manager.

The Board of Directors confirms that the financial accounts have been prepared under a going concern assumption.

Subsequent events

KCCS has received the news of the Russian invasion of Ukraine with shock and sadness. The Company has no direct exposure to Russia or Belarus.

The Board of Directors of KCC Shipowning AS

~~Oslo, 31 December 2021~~
30 March 2022

Lasse Kristoffersen Chairman of the Board	Liv Hege Dyrnes Board Member
Morten Skedsmo Board Member	Engebret Dahm Managing director

KCC Shipowning AS

Income Statement

(USD '000)	Notes	Year ended 31 December 2021	2020
Operating revenue, vessels	3	110 400	74 159
Other revenue	3	482	-
Total operating revenue		**110 883**	**74 159**
Gain on sale of vessels	7	4 421	6 533
Other income	3	1 422	-
Operating expenses, vessels	2	(48 860)	(33 799)
Group administrative services	16	(1 146)	(654)
Tonnage tax		(214)	(180)
Other operating and administrative expenses	4	(217)	(108)
Operating profit before depreciation		**66 288**	**45 951**
Depreciation	7, 8	(31 144)	(19 356)
Operating profit after depreciation		**35 144**	**26 595**
Finance income	5	244	4 975
Finance costs	5	(10 607)	(8 298)
Profit before tax		**24 781**	**23 273**
Income tax expenses	6	-	-
Profit for the year		**24 781**	**23 273**

KCC Shipowning AS

Statement of Financial Position

(USD '000)	Note	As at 31 December 31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Vessels	7	558 837	379 355
Newbuilding contracts	9	-	48 441
Right of-use assets	8	1 553	1 544
Long-term loan to related parties	10	-	46 737
Financial assets	12	1 492	510
Total non-current assets		**561 882**	**476 586**
Current assets			
Inventories		1 302	888
Accounts receivable		-	-
Short- term loan to related parties	15	-	1 722
Short- term receivables from related parties	15	15 054	10 822
Prepaid expenses		1 966	4 061
Other short-term receivables	10	1 083	786
Cash and cash equivalents	11	32 018	41 770
Total current assets		**51 423**	**60 049**
TOTAL ASSETS		**613 305**	**536 634**

KCC Shipowning AS

Statement of Financial Position

(USD '000)	Note	As at 31 December 31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	16	298	298
Share premium		151 340	151 340
Retained earnings		168 085	138 811
Total equity		**319 723**	**290 448**
Non-current liabilities			
Mortgage debt	14	249 993	206 813
Long-term lease liabilities	8	1 008	1 141
Financial liabilities	12	1 973	5 409
Total non-current liabilities		**252 975**	**213 362**
Current liabilities			
Short-term mortgage debt	14	23 936	22 473
Accounts payable		2 613	1 113
Current debt to related parties	15	7 257	2 226
Short-term lease liabilities	8	618	458
Tonnage tax payable	6	220	175
Other current liabilities		5 963	6 379
Total current liabilities		**40 608**	**32 823**
TOTAL EQUITY AND LIABILITIES		**613 305**	**536 634**

Oslo, 31 December 2021

Oslo, 30 March 2022

Lasse Kristoffersen
Chair of the Board

Morten Skedsmo
Board member

Liv Hege Dyrnes
Board member

Engebret Dahm
Managing director

KCC Shipowning AS

Statement of Other Comprehensive Income

(USD '000)	Note	2021	2020
Net profit/ (loss)		**24 781**	**23 272**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value hedge instruments		-	364
Net movement fair value interest rate swaps		4 500	(2 856)
Other comprehensive income/(loss) for the period, net of tax		**4 500**	**(2 492)**
Total comprehensive income/(loss) for the period, net of tax		**29 281**	**20 781**

KCC Shipowning AS

Statement of Changes in Equity

	Attributable to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2019	**298**	**151 340**	**118 030**	**269 669**
Profit (loss) for the year			23 272	23 272
Other comprehensive income for the year			(2 492)	(2 492)
Total comprehensive income for the year			**20 781**	**20 781**
Equity at 31 December 2020	**298**	**151 340**	**138 811**	**290 448**
Profit (loss) for the year			24 781	24 781
Other comprehensive income for the year			4 500	4 500
Total comprehensive income for the year			**29 281**	**29 281**
Equity at 31 December 2021	**298**	**151 340**	**168 085**	**319 723**

KCC Shipowning AS

Statement of Cash Flows

(USD '000)	Note	31 Dec 2021	31 Dec 2020
Profit before tax		24 781	23 272
Tonnage tax expensed	6	214	180
Gain on sale of vessels	7	(4 421)	(6 533)
Depreciation	7	31 144	19 356
Amortization of upfront fees bank loans		629	320
Gain (-)/ loss on foreign exchange	4	11	(2 210)
Financial derivatives unrealised loss / gain (-)	4	82	2 146
Interest income	4	(244)	(2 499)
Interest expenses	4	9 884	7 148
Taxes paid for the period		(175)	(157)
Change in receivables		(2 433)	(2 342)
Change in current liabilities		5 554	(417)
Change in other working capital		(415)	(531)
Interest received		244	2 499
A: Net cash flow from operating activities		**64 856**	**40 233**
Acquisition of tangible assets *	7	(16 964)	(12 691)
Installments and cost on newbuilding contracts	9	(105 322)	(89 834)
Repayments from related parties		429	1 722
Cash proceeds from sale of vessels	7	13 800	15 780
Transaction costs related to sale of vessels		(212)	
B: Net cash flow from investment activities		**(108 270)**	**(85 023)**
Proceeds from borrowings	14	169 000	60 450
Transaction costs on issuance of loans	14	(1 944)	(789)
Repayment of borrowings	14	(123 041)	(17 367)
Interest paid	5	(9 774)	(7 084)
Repayment of financial lease liabilities	8	(579)	(399)
C: Net cash flow from financing activities		**33 662**	**34 812**
Net change in liquidity in the period (A + B + C)		**(9 752)**	**(9 979)**
Cash and cash equivalents at beginning of period		41 770	51 749
Cash and cash equivalents at end of period	11	32 018	41 770
Net change in cash and cash equivalents in the period		**(9 752)**	**(9 979)**

* The intercompany seller's credit is excluded from the cash flow from investment activities. See note 7 and 15 for gross value of the transactions.

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

CORPORATE INFORMATION

KCC Shipowning AS ("the Company"/KCCS) is a private limited Company domiciled and incorporated in Norway. The Company is headquartered and is registered inDrammensveien 260, 0283 Oslo.

The objective of the Company is to provide transportation for drybulk, chemical and product tanker clients, as well as new investment and acquisition opportunities that fits the Company's existing business platform. The Company has eight CABU vessels, that has capacity to transport caustic soda (CSS), floating fertilizer (UAN) and molasses as well as all dry bulk commodities. In addition, the Company has eight CLEANBU vessels in operation. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

The Company is a subsidiary of the listed Company Klaveness Combination Carriers ASA. The consolidated financial statements for the Group are available at www.combinationcarriers.com. The ultimate parent of the Company is Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statements for the ultimate parent are available at www.klaveness.com.

The financial statements for KCC Shipowning AS for the fiscal year 2021 are approved in the board meeting at 30 March 2022.

BASIS OF PREPARATION

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates are based on the actual underlying business, its present and forecasted profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the Company's control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Changes in accounting estimates are recognized in the period the changes occur. When changes to estimates also affect future periods the effect is distributed between of the current and future periods.

Significant estimates and assumptions

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

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on KCC Shipowning AS financial position

Carrying amount of vessels, depreciation and impairment

In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life for the

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

combination carrier vessels is reassessed on a yearly basis. Useful life for all combination carriers is 25 years.

Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices. The Company commits to make recycling of its vessels in compliance with the Hong Kong convention and NRF guidelines. Obtained steel prices for residual value assessment is in line with our strategy. In the assessment of residual value as per 01.01.2022 a high degree of uncertainty in current market prices for green recycling. Based on the assessment, the Company concluded to retain a scrap price of $325/ltd as from 01.01.2022.

At the end of each reporting period the Company will assess whether there is any indication of impairment. If any indication exists, the Company 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 recognized. 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.

Judgments

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

Identification of cash generating units for the purpose of impairment testing

The Company owns combination carrier vessels that can switch between dry and wet cargo. The CABUs have the same characteristics in respect of what cargo to transport, number of cargo holds and size of the vessel. All the CLEANBUs are identical vessels with same characteristics. CLEANBU vessels have higher capacity than the CABUs and can in addition transport other types of wet commodities. All the CABU vessels are interchangeable, same for all the CLEANBU vessels. Investment, continuance and disposal decisions are made by class of vessels. The CABU and CLEANBU vessels are operated by KCC Chartering AS. Contracts (CoA's) are not negotiated based on a specific vessel. It is the sum of vessel capacity at any time that determines the optimization of voyages. A portion of the voyages are also executed in the spot market, and the charterers are dependent on operating the vessels as a portfolio according to free capacity and available cargos.

The Company defined the fleet of CABU and the fleet of CLEANBU as two separate cash generating units.

FOREIGN CURRENCY TRANSACTIONS

The presentation currency for the Company is US Dollar (USD). The Company has USD as functional currency.

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

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

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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). On 31 December 2021, an exchange rate of USD/NOK 8.8363 (2020: 8.5375) was used for the valuation of balance sheet items.

REVENUE RECOGNITION

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

The Company's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies. Vessels owned by the Company are operated by KCC Chartering AS (KCCC), affiliated Company and the Company receives a variable time charter revenue. Revenue from time charters are accounted for as operating leases under IAS 17. The Company's time charter contracts have a duration of 1-3 months.

Charter hire from KCCC is recognized in accordance with revenue recognition in KCCC which is based on discharge-to-discharge basis (percentage of completion method). Charter revenue from KCCC has been recognized over time based on obtained charter hire rate.

Revenues and costs associated with the vessels' voyages are accrued according to the share of voyage days that occur before closing (percentage of completion method). Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Except for any period when a vessel is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

OPERATING EXPENSES

Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lubricant oils and management fees. When vessels are on hire, the majority of vessel operating expenses are reimbursed from the charterer. When the vessel is off hire, vessel operating expenses are mainly for owner's account.

INCOME TAX

The Company is subject to the Norwegian tonnage tax regime ("NTT"). Under the tonnage tax regime, profit from operations are exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

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

Income tax relating to items recognized directly in equity is included directly in equity and not in the statement of income.

VESSELS, NEWBUILDINGS AND DOCKING

Non-current assets such as vessels, 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 Company's fleet. Certain capitalized elements like costs related to periodic

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

maintenance/dry-docking have shorter estimated useful lives and are depreciated until the next planned dry-docking, typically over a three to five years period. When newbuildings are delivered a portion of the cost is classified as dry docking.

Costs of day-to-day servicing, maintenance and repairs are expensed.

The useful life and residual values are reviewed at each financial year end.

Impairment of vessels

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

RIGHT OF USE OF ASSETS

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

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

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 Company 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.

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

FINANCIAL ASSETS

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company 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 Company. The Company 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 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 Company's financial assets at amortised cost includes trade receivables, and loan to related parties.

Financial assets at fair value through profit or loss

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

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

instruments which the Company 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 Company'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 by the Company 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 Company 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 Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 12.

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.

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. 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 Company hedges are classified as cash flow hedges.

At the inception of a hedge relationship, the Company 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 Company 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 Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit and loss.

Amounts recognized as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or expense is recognized or when a forecast transaction occurs.

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

INVENTORIES

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

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

CASH AND CASH EQUIVALENTS

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

EQUITY

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

Dividend payments to the Company's shareholders and contribution are recognized as a liability in the Company's financial statements from the date when the dividend is approved by the general meeting.

RELATED PARTIES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties' transactions are recorded to estimated fair value. Transactions with related parties are disclosed in note 15.

PROVISIONS

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

Provisions usually relate to legal claims.

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

EVENTS AFTER BALANCE SHEET DATE

New information on the Company's financial position at the balance sheet date is taken into account in the annual financial statements. Subsequent events that do not affect the Company's position at the balance sheet date, but which will affect the Company'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 2020. There was no material impact of new accounting standards or amendments adopted in the period.

Note 2 - Operating expenses

(USD '000)	2021	2020
Technical expenses	13 935	10 799
Crew costs	24 465	15 765
Insurance	2 993	2 374
Crewing agency fee to Klaveness Ship Management AS (note 15)	1 458	1 002
Ship management fee to Klaveness Ship Management AS (note 15)	3 950	2 815
IT fee to Klaveness AS	81	57
Other operating expenses	2 195	985
Total operating and administrative expenses	**49 077**	**33 798**

Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include sea personnel expenses such as wages, social costs, travel expenses and training. Costs related to technical management, maintenance and crewing services are recognised as operating expenses, see note 15 for transactions with related parties.

Note 3 - Revenue from contracts with customers

Disaggregated revenue information

The Company has income from chartering (hiring) out its vessels to operating companies. Set out below is the Company's revenue from time charter contracts.

Revenue types (USD'000)	Classification	2021	2020
Operating revenue	Freight revenue	110 400	74 159
Other revenue	Other revenue	482	-
Total revenue, vessels		**110 883**	**74 159**
Gain on sale of vessels (note 7)	Gain on sale of vessels	4 421	6 533
Other income	Other income	1 422	-
Total other income		**5 843**	**6 533**

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

Note 4 - Other operating and administrative expenses

The Company has no employees, and as such no wage expenses or pension liabilities have been occurred in 2021. Management services are acquired from Klaveness Combination Carriers ASA, where the managing director is employed. Members of the Board of Directors are employees of other companies within Rederiaksjeselskapet (RASTK). No special remuneration has been paid to the members of the Board of Directors, as such positions are a part of their regular employment.

Remuneration to the auditor

(USD'000)	2021	2020
Statutory audit	52	36
Other assurance services	2	8
Total expensed audit fee	**54**	**44**

Auditor's fees are stated excluding VAT.

Note 5 - Finance income and finance costs

(USD'000)	2021	2020
Interest received from related parties	222	2 499
Other interest income	22	178
Gain on foreign exchange	-	2 299
Total finance income	**244**	**4 975**

(USD'000)	2021	2020
Interest expenses mortgage debt	8 889	7 148
Interest expenses lease liabilities	102	84
Other financial expenses	763	381
Financial expenses to related parties	760	250
Fair value interest rate swaps	82	346
Loss on foreign exchange	11	89
Total finance costs	**10 607**	**8 298**

Note 6 - Taxes

Tonnage tax
The Company is subject to the tonnage tax regime and is exempt from ordinary tax on its shipping income. Companies within this regime pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed in line with ordinary Norwegian corporate tax, however only a portion of the interest and currency expenses are tax deductible.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 22 % for 2021 (2020: 22 %).

(USD '000) A. TAX EXPENSE	31 Dec 2021	31 Dec 2020
Tax payable	-	-
Change deferred tax / deferred tax asset	-	-
Total tax expense/(income) reported in the income statement	**-**	**-**
Tax net gain /loss on revaluation of cash flow hedges	-	-
Tax effects in other comprehensive income	-	-
Deferred tax charged to OCI	**-**	**-**

B. CALCULATION OF TAX BASIS - TAX PAYABLE	31 Dec 2021	31 Dec 2020
Pre -tax profit	29 281	20 781
Profit from shipping operations	(33 870)	(24 479)
Net financial items according to calculation in section B.1	(4 589)	(3 698)
Use of tax losses carried forward	4 262	3 887
Exchange rate adjustment	326	(189)
Tax basis for the year	(0)	-
Tax payable	**-**	**-**
Tonnage tax (included in operation profit)	214	180
Correction prior year tonnage tax	6	(6)
Tonnage tax payable in the balance sheet	**220**	**175**

B.1.1 CALCULATION OF PROPORTIONAL DEDUCTION OF INTEREST EXPENSE / FOREIGN CURRENCY LOSSES
(Figures calculated from NOK to USD at year-end rate of exchange)

Calculation of share of total financial assets for KCC Shipowning AS	**At January 1, 2021**	**At December 31, 2021**	**Average**
Financial assets KCC Shipowning AS	106 588	51 656	79 122
Total financial assets of the company, including underlying companies	106 588	51 656	79 122
Total capital in KCC Shipowning AS	551 017	605 964	578 490
Share of financial assets (in %)	19,34 %	8,52 %	13,68 %
Exchange rate adjusted share of financial assets (in %)			13,58 %

Calculation of proportional deduction for interest expenses / foreign currency losses	**2021**
Actual interest expenses recorded in the profit and loss account	(8 889)
Interest expense, not deductable	-
Interest expense subject to proportional distribution	(8 889)
Calculated proportion of interest expenses for deduction in tax income 13,58%	**(1 207)**
Foreign currency losses / (gain) recorded in the profit and loss account	11
Calculated proportion of currency gain/ loss for increase/ decrease in tax income 13,58 %	**2**

B.1.2 CALCULATION OF NET FINANCIAL ITEMS	31 Dec 2021	31 Dec 2020
Financial income and expenses recorded in the profit and loss account		
Interest income from Group companies	222	2 499
Other interest income	22	178
Interest expense according to proportional calculation	(1 207)	(1 232)
Realized swap interest - including change in temporary difference on accrued interests)	(1 516)	(1 204)
Capitalised commitment fees	(2 554)	(1 239)
Other financial expenses	(763)	(381)
Foreign currency loss according to proportional calculation	2	(393)
Forreign currency adjustment	1 206	(1 926)
Net financial items	**(4 589)**	**(3 698)**

Note 5 - Taxes cont.

B.2 CALCULATION OF INCREASE IN INCOME DUE TO HIGH EQUITY	**At January 1, 2021**	**At December 31, 2021**	**Average**
(Figures calculated from NOK to USD at year-end rate of exchange)			
Total capital KCC Shipowning AS	536 634	613 305	574 969
A) Total, adjusted assets	536 634	613 305	574 969
Liabilities in KCC Shipowning AS	246 185	293 583	269 884
B) Total, adjusted liabilities	246 185	293 583	269 884
C) 30% of average assets (A*30%)			172 491
Average equity above 70% C - B			(97 393)
Increase in income due to high equity - Prescribed interest rate on positive amount (1.30 %)			-

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:	31 Dec 2021	31 Dec 2020
Profit before tax	29 281	20 781
Nominal tax rate	22 %	22 %
Calculated tax payable on pre-tax profit using the nominal taxation rate	6 442	4 572
Tax effect, profit from shipping operations	(7 380)	(5 427)
Tax effect, change in not listed deferred tax	(59)	1 509
Tax effect, temporary differences	996	(654)
Tax expense	-	-
Effective tax rate	0,00 %	0,00 %

Note 6 - Taxes cont.

Specification of the tax effect of temporary differences

D. DEFERRED TAX / (DEFERRED TAX ASSET) (USD'000)	Status at Jan 1, 2021	Change	Status at Dec 31, 2021	Tax effect at Dec 31, 2021 22 %	Status at Dec 31, 2020	Tax effect at Dec 31, 2020 22 %
Provision for loss on interest rate instrument	(5 053)	4 500	(553)	(122)	(5 053)	(1 112)
Estimated, unpaid swap interest	127	(3)	124	27	127	28
Temporary differences (Omvurderingskonto)	-	31	31	7	-	-
Total temporary differences	(4 926)	4 528	(398)	(87)	(4 926)	(1 084)
Total temporary differences - before financial losses carried forward	**(4 926)**	**4 528**	**(398)**	**(87)**	**(4 926)**	**(1 084)**
Financial losses carried forward	(9 650)	(4 262)	(13 912)	(3 061)	(9 650)	(2 123)
Total temporary differences	**(14 575)**	**267**	**(14 309)**	**(3 148)**	**(14 575)**	**(3 207)**

Deferred tax / (deferred tax asset) recorded in the balance sheet	-		-
Change in deferred tax / (deferred tax asset)	-		-

Note 7 - Vessels

(USD'000)	Note	31 Dec 2021	31 Dec 2020
Cost price 1.1		470 900	413 928
Delivery of newbuildings		153 763	103 604
Internal repurchase of vessels	15	51 400	100 500
Additions related to vessels		4 032	3 066
Additions (dry-docking)		8 342	1 930
Adjustment acquisition value newbuildings delivered		1 408	(862)
Disposals related to vessels		(36 184)	(151 267)
Costprice end of period		**653 661**	**470 900**
Acc. Depreciation 1.1		84 273	65 334
Acc. Depreciation disposal of vessel		(27 285)	-
Depreciation vessels		30 565	18 939
Acc. Depreciation end of period		**87 553**	**84 273**
Acc. impairment losses 1.1		7 272	7 272
Impairment for the year		-	-
Acc. impairment losses 31.12		**7 272**	**7 272**
Carrying amounts end of period*		**558 837**	**379 355**
*) carrying value of vessels includes dry-docking			
No. of vessels		16	14
Useful life		25	25
Depreciation schedule		Straight-line	Straight-line

Additions

The CLEANBU vessels MV Baiacu, MV Bass and MV Balzani were delivered from Jiangsu New Yangzi Shipbuilding Co.Ltd respectively 11 January 2021, 25 March 2021 and 25 May 2021. The CABU vessels MV Barcarena, MV Banastar, MV Balboa, MV Banasol and MV Baffin have performed scheduled dry-docking in 2021 of in total USD 8.3 million. Technical upgrade of USD 3.4 million is related to general improvement of the technical performance of the vessels and energy efficiency initiatives and USD 0.4 million is related to yard repairs of MV Barramundi.

In 2021 the Company repurchased MV Barracuda for an amount of USD 51.4 million from KCC KBA AS. The transaction was internal within the Klaveness Combination Carriers Group, and the pricing was based on a discounted cash flow model. The original purchase had been financed through a loan from KCC Shipowning AS to KCC KBA AS, and this loan was settled as the vessel was repurchased. See cash flow movements from investments for further information.

Disposal

MV Banasol was sold in December 2021 and gain of USD 4.4 million has been recognised in 2021. Gain is calculated as sales price less book value of the vessel at the time of sale less any direct costs of sale.

Pledged Vessels

All owned vessels except MV Bangor og MV Barcarena are pledged to secure the various loan facilities (refer to note 14 for further information).

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 identifed as per 31 December 2021.

Note 8 - Leasing

The Company as a lessee

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

Right-of-use assets (USD '000)	31 Dec 2021	31 Dec 2020
Cost price 1.1	2 346	2 150
Addition of right-of-use assets	663	358
Disposals	(75)	(162)
Costprice end of period	**2 934**	**2 346**
Acc. Depreciation 1.1	802	385
Depreciation right of use assets	579	417
Acc. Depreciation end of period	**1 382**	**802**
Carrying amounts end of period	**1 553**	**1 544**

The Company has leasing agreements related to satelite communication and IT equipment onboard the vessels. A lease liability and right-of-use assets has been presented for these contracts.

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows (USD '000)	31 Dec 2021	31 Dec 2020
Less than 1 year	662	579
1-5 years	1 107	1 300
More than 5 years	-	-
Total undiscounted lease liabilities	1 769	1 879

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

Practical expedients applied
The Company has elected to use the exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Note 9 - Newbuildings

The Company took delivery of three CLEANBU vessels, MV Baiacu, MV Bass and MV Balzani in January, March and May 2021,

(USD'000)	31 Dec 2021	31 Dec 2020
Cost 1.1	48 441	62 316
Borrowing cost	84	1 023
Yard installments paid	97 650	80 851
Other capitalized cost	7 586	7 960
Delivery of newbuildings	(153 763)	(103 708)
Net carrying amount	**-**	**48 441**

Borrowing costs are capitalised to the extent that they are directly related to the acquisition of the vessel.

Note 10 - Trade receivables and other current assets

(USD'000)	31 Dec 2021	31 Dec 2020
Receivables from related parties	15 054	10 822
Prepaid expenses	1 966	4 061
Insurance claim	378	167
Other short-term receivables	705	619
Other short-term receivables	**18 103**	**15 669**

Account receivable comprise all items that fall due for payment within one year after the balance sheet date. Trade receivables are non-interest bearing.
Claims consist of yard claims for vessels delivered in 2019 and is expected to be settled when all three vessels have completed guarantee repairs.

Note 11 - Cash and cash equivalents

The Company has bank deposits in the following currencies:

(USD'000)	31 Dec 2021	31 Dec 2020
Cash and bank deposits, NOK	1 057	790
Bank deposits, USD	30 961	40 980
Total cash and cash equivalents	**32 018**	**41 770**

Cash includes cash in hand, bank deposits and other highly liquid investments with original maturities of three months or less. No cash is restricted.

Note 12 - Financial assets & liabilities

To reduce interest rate risk, the Company has entered into interest rate swaps.

The Company holds interest rate swaps that qualify for hedge accounting. These instruments have a net market value of negative USD 481 thousand and remaining duration of up to July 2025. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income.

The Company 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 Company assets and liabilities at 31 December 2021.

Financial assets at 31 December	31 Dec 2021	31 Dec 2020
Financial instruments at fair value through OCI		
Interest rate swaps	1 421	356
Financial instruments at fair value through P&L		
Interest rate swaps	71	154
Financial assets	**1 492**	**510**

Financial liabilities at 31 December	31 Dec 2021	31 Dec 2020
Financial instruments at fair value through OCI		
Interest rate swaps	1 973	5 409
Financial instruments at fair value through P&L		
Interest rate swaps	-	-
Financial liabilities	**1 973**	**5 409**

Note 12 - Fair value measurement

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

	Carrying amount		Fair value	
(USD'000)	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial assets at fair value through OCI				
Interest rate swaps	1 421	356	1 421	356
Financial assets at fair value through profit or loss				
Interest rate swaps	71	-	71	-
Financial assets measured at amortized costs				
Long-term receivables from related parties	-	46 737	-	46 737
Short-term receivables to related parties	15 054	10 822	15 054	10 822
Other short-term receivables	1 083	786	1 083	786
Total financial assets measured at amortized costs	**16 137**	**58 345**	**16 137**	**58 345**
Cash and cash equivalents	**32 018**	**41 770**	**32 018**	**41 770**
Total	**49 647**	**100 471**	**49 647**	**100 471**
Total current	48 155	53 378	48 155	53 378
Total non-current	1 492	47 093	1 492	47 093

	Carrying amount		Fair value	
(USD'000)	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Financial liabilities at fair value through P&L				
Interest rate swaps	1 973	5 409	1 973	5 409
Financial liabilities at amortised cost				
Interest rate swaps	-	-	-	-
Long-term interest bearing debt	249 993	206 813	252 547	208 052
Short-term interest bearing debt	23 936	22 473	23 936	22 473
Accounts payable	2 613	1 113	2 613	1 113
Current debt to related parties	7 257	2 226	7 257	2 226
Other current liabilities	5 963	6 379	5 963	6 379
Total financial liabilities at amortised cost	**289 762**	**239 003**	**292 316**	**240 242**
Total	**291 735**	**244 412**	**294 289**	**245 651**
Total current	39 769	32 190	39 769	32 190
Total non-current	251 966	212 221	254 520	213 460

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of derivatives are based on mark to market reports recieved from banks.

Note 12 - Fair value measurement (cont.)

Fair value hierarchy
The Company use the financial hierarchy in IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Company's assets and liabilities at 31 December 2021.

31 December 2021 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		1 421		**1 421**
Financial assets at fair value through OCI				
Interest rate swaps		71		**71**

31 December 2021 Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
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**
Financial liabilities at fair value through OCI				
Interest rate swaps		1 973		**1 973**

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. During the reporting periods of 2020 and 2019, there were no transfers between any of the levels.

Note 13 - Financial risk management

Capital management

The Company intends to maintain an efficient capital structure, provide financial ability to execute on the strategy and ensure the Company has sufficient liquidity to meet liabilities and commitments as they fall due.

Main risks

The table below summarise short-term and long- term risks affecting Company's business.

Risk	Description	Risk type
Main risks next 12 months		
CLEANBU introduction	Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks. 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
Volatility in time charter earnings	Time charter earnings are driven by the demand, and ultimately the freight rates, for dry bulk and product tanker vessels. The effect of lower freight is somewhat offset by low historical correlation between dry bulk and product tankers freight rates. Furthermore, Unfavorable changes in trade flows and volumes may adversely affect the time charter earnings and financial position. Production issues at plants and refineries in export regions as well as difference in regional commodity prices (arbitrage opportunities) may impact trade flows	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. KCCS does not have any direct exposure to Ukraine, Russia or Belarus.	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.	Market
Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels	- Emerging propulsion technologies and fuels might have a material negative impact on the competitiveness of KCCS'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 Due to combination carriers efficiency advantage, KCCS's fleet 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

Note 13 - Financial risk management continued

Risk types

The risks have been divided into the following categories

Financial risk

The Company is exposed to i.e. freight rate risk, bunker fuel price risk, as well as risks relating to foreign currency exchange, interest rate, counterparties (including credit), operations, technical, regulations and other risks. The Company's management oversees the management of these risks and they 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 and bunker fuel risk are further described in note 14.

Operational risk

Operational risks are mainly related to the operation of vessels. The Company'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 by Klaveness Ship Management AS 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 Company.
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 Company's vessels.

Foreign currency risk and interest rate risk

The Company's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of all significant entities in the Company. 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 Company has long term interest bearing debt that is exposed to floating interest rate. Long term mortgage debt bear interest at LIBOR plus an applicable margin. In order to hedge the risk, the Company has entered into interest rate swaps. At 31 December 2021, 39 % of the floating interest mortgage debt loans are hedged. The Company evaluates on an ongoing basis the need to adjust interest rate exposure.

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

(USD '000)	Change in interest rate	2021	2020
USD LIBOR	+1,00%	(1 680)	(1 220)
	+ 0,5%	(840)	(610)
	- 0,50%	120	180

Note 13 - Financial risk management continued

Counterparty/credit risk

The performance of the Company 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 ability to renew contracts with these clients (the Company is exposed to such risk through the chartering company KCC Chartering AS). Default by a counterparty of its obligations under, mainly cargo customers (CoA's), may have material adverse consequences on the contract portfolio earnings. The counterparty's financial strength will thus be very important. The Group makes provision only for the deductible amount to the extent that the Company has the legal right to insurance coverage. As such, default by an insurance institution may have material financial consequences.

Total unrisked credit risk at 31 December 2021 amounts to USD 50.1 million (book value of receivables and bank deposits).

Liquidity risk

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

The Company has capital commitments relating to borrowings. The Company 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 to cover all needs for the foreseeable future. The Company's bank financing is subject to financial and non-financial covenants.

Maturity profile of financial liabilities

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

Maturity profile financial liabilities 31 Dec 2021	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	33 815	129 950	178 242	-	342 007
Trade and other payables	2 613	-	-	-	2 613
Current debt to related parties	7 257	-	-	-	7 257
	43 685	**129 950**	**178 242**	**-**	**351 877**

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

Maturity profile financial liabilities at 31 Dec 2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	29 422	167 733	52 920	-	250 075
Trade and other payables	1 113	-	-	-	1 113
Current debt to related parties	2 226	-	-	-	2 226
	32 761	**167 733**	**52 920**	**-**	**253 414**

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.

Note 14 - Interest bearing debt

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

During 2021 the Company made a drawdown of USD 25 million under SEB/SR- Bank/SPV Facility in relation to the delivery of MV Baiacu 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 Company refinanced the Nordea/Danske Bank facility into a USD 80 million senior secured sustainability linked term loan credit facility. The interest rate on the new facility is LIBOR + 210bps. The margin will be adjusted, up or down, based on the Company's sustainability performance, as defined by the Company'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 Bantry, MV Bakkedal, MV Baffin, MV Ballard and MV Balboa built 2005-2017. The vessels MV Bangor and MV Barcarena, which was financed under the existing million Nordea/Danske Bank facility, will be left unencumbered. The new facility matures 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.

The Company repaid USD 2.7 million in debt prior to the sale of the MV Banasol under the USD105 million DNB/SEB Facility, and USD 30 million under a revolving credit facility.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
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, 90.75 mill	LIBOR + 2.3 %	October 2025	85 786
Nordea/Crédit Agricole Facility*	Term loan/RCF, 60 mill	LIBOR + 2.75 %	March 2025	27 353
Nordea/ Danske Facility**	Term loan, USD 80 mill	LIBOR + 2.3 %	December 2026	80 000
Capitalized loan fees				(2 554)
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.
As per 31 December 2021, the Company has available undrawn revolving credit facility capacity of USD 30 million.

(USD '000) Interest bearing liabilities	Fair value 31 Dec 2021	Carrying amount 31 Dec 2021	Carrying amount 31 Dec 2020
Mortgage debt	252 547	252 547	208 052
Capitalized loan fees	-	(2 554)	(1 239)
Total non-current interest bearing liabilties	**252 547**	**249 993**	**206 813**
Mortgage debt, current	23 936	23 936	22 473
Total interest bearing liabilities	**276 483**	**273 929**	**229 285**

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

Covenants

As per year end 2021, the Company is in compliance with all financial covenants. Financial covenants on KCC Shipowning 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. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Securities

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

Book value of collateral, mortgaged and leased assets:	31 Dec 2021	31 Dec 2020
Vessels	539 558	379 355
Total book value of collateral, mortgaged and leased assets	**539 558**	**379 355**

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

(USD '000)	Interest payable	Short term lease liabilities	Interest bearing short-term debt	Interest bearing long-term debt	Share capital/premium reserve	Other equity	Total
Balance at 1 January 2021	**-**	**458**	**22 473**	**206 812**	**151 638**	**138 811**	**509 399**
Repayment of mortgage loan			(123 041)				
Proceeds from mortgage loan (net transaction cost)				169 000			
Transaction costs on issuance of loans				(1 944)			
Interest paid	(9 774)						
Repayment of lease		(579)					
Total Changes from financing cash flow	(9 774)	(579)	(123 041)	167 056	-	-	33 662
Liability- related							
Expensed capitalised borrowing costs				629			
Non-cash movement		740	124 504	(124 504)	-	29 274	
Total liability- related changes	-	**740**	**124 504**	**(123 875)**			**1 369**
Total equity-related other changes					-	**29 274**	**29 274**
Balance at 31 December 2021		**618**	**23 936**	**249 993**	**151 638**	**168 085**	**573 704**

(USD '000)	Interest payable	Short term lease liabilities	Interest bearing short-term debt	Interest bearing long-term debt	Share capital/premium reserve	Other equity	Total
Balance at 1 January 2020		**407**	**17 367**	**169 303**	**151 638**	**138 811**	**473 818**
Repayment of mortgage debt			(17 367)				
Proceeds from mortgage debt				60 450			
Transaction costs on issuance of loans				(789)			
Interest paid	(7 084)						
Repayment of lease		-399					
Total Changes from financing cash flow	(7 084)	(399)	(17 367)	59 661	-	-	34 812
Liability- related							
Expensed capitalised borrowing costs				320			320
Non-cash movement		450	22 472	(22 472)			450
Total liability- related changes	-	**450,036**	**22 472**	**(22 152)**	-	-	**770**
Total equity-related other changes					**(0)**	-	**(0)**
Balance at 31 December 2020		**458**	**22 473**	**206 812**	**151 638**	**138 811**	**509 399**

Note 15 - Transactions with related parties

SERVICES

The ultimate owner of KCC Shipowning AS is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 53.76 % of the shares Klaveness Combination Carriers ASA (KCC ASA). KCC ASA owns 100 % of the shares in KCC Shipowning AS (of which 3 % indirectly through KCC Chartering AS).

The Company has undertaken several agreements and transactions with related parties both under control of Klaveness Combination Carriers ASA and in the RASTK Group. The level of fees are based on cost + a margin in range 5-10 % in accordance with the arm's length principle and OECDs guidelines. Technical management is based on a fixed annual fee in line with market practice for such services.

Klaveness AS (affiliated company) delivers administrative and business management services (G&A) to the KCC Group. In 1H 2020, management personnel were employed in Klaveness Combination Carriers ASA, and subsequently, CEO, CFO and administration services were purchased from this Company. Following this change, G&A services have been provided by KCC ASA to all subsidiaries in the Group, with Klaveness AS as a subcontractor for accounting, legal, risk/KYC and IT services, rent and office services.

Technical management services for all vessels such as crewing, maintenance, repair, drydock supervision, supplies and provisioning, insurance, procurement of spares, IT and administration are purchased from Klaveness Ship Management AS (affiliated company). For the newbuildings in the Company, KSM has performed supervision and project management services (capitalized as part of newbuilding cost).

(USD'000) Commercial and administrative services	Provider [1]	2021	2020
G&A fee	KAS, KCC [2]	690	654
Project management fee	KSM	457	-
Group administrative services		**1 146**	**654**

(USD'000)	Provider [1]	2021	2020
Technical management fee (opex)	KSM	3 950	1 059
Crewing and IT fee (opex)	KSM	1 458	948
Supervision fee and project management fee (newbuilding)	KAS	-	296
Supervision fee and project management fee (newbuilding)	KSM	1 333	1 501
Sales support, sale of vessel [4]	KAS	31	-
Technical management fee for termination of agreement [4]	KSM	44	-
Interest income from related parties	KCC KBA, KCC, KCCC [3]	222	2 499
Interest expenses from related parties	KCC	760	31
Total other transactions with related parties		**7 798**	**6 334**

(USD'000) Receivables and debt to related parties	Counterparty [1]	31 Dec 2021	31 Dec 2020
Long-term loan to related parties	KCC KBA	-	46 737
Long- term receivables		**-**	**46 737**
Short term loan to related parties	KCC KBA	-	1 722
Receivables from related parties	KCC KBA	-	561
Receivables from related parties	KSM	1 502	63
Receivables from related parties	KAS	1	413
Receivables from related parties	KCC	30	-
Receivables from related parties	KCCC	13 522	9 784
Short-term receivables from and short-term debt to related parties		**15 054**	**12 544**
Current debt to related parties	KCC	6 188	577
Current debt to related parties	KSM	300	490
Current debt to related parties	KCCC	755	1 158
Current debt to related parties	KAS	14	-
Current debt to related parties		**7 257**	**2 226**

In 2021, the Company has repurchased the vessel MV Barracuda internally from KCC KBA AS, another fully owned subsidiary of Klaveness Combination Carriers ASA. Please refer to note 6 for further details.

[1] Klaveness AS (KAS), Klaveness Ship Management AS (KSM), KCC Shipowning AS (KCCS), KCC Chartering AS (KCCC), KCC KBA AS (KCC KBA), Klaveness Combination Carriers ASA (KCC)

[2] G&A services purchased from KAS until 1H 2020 and subsequently from KCC ASA (with KAS AS as a subcontractor for parts of the services).

[3] Interest income from related parties includes minor items from KCCC and KCC ASA.

[4] Fees included in net sales gain on vessel.

Note 16 - Share capital, shareholders, dividends and reserves

	2021		2020	
Share capital	Number	NOK	Number	NOK
Ordinary shares	1 000	2 100 000	1 000	2 100 000

All shares are issued and fully paid.

	2021	2020
The ownership is as follows:	Number of shares	
Klaveness Combination Carriers ASA	970	970
KCC Chartering AS	30	30

Note 18 - Events after balance sheet date

KCC Shipowning AS has no exposure to Russia or Belarus but are indirectly impacted by the war through its market exposure.

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

2 8 JAN. 2010

Skattedirektoratet

Saksbehandler
Torstein Kinden Helleland

Telefon
22078139

Deres dato
20.04.2009

Deres referanse
Baard Haugen

Vår dato
25.01.2010

Vår referanse
2009/275763

KLAVENESS CORPORATE SERVICES AS
Postboks 182 Skøyen
0212 OSLO

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

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

Torvald Klaveness-gruppen omfatter følgende selskaper;

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

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

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

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

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

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

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

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland