



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2020 - 31.12.2020

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: 24.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 29.06.2022



Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Operating revenue, vessels		74 159 000	60 096 000
Other operating income	6	6 533 000	0
Sum inntekter		80 692 000	60 096 000
Kostnader			
Operating expenses, vessels	2	33 799 000	29 914 000
Ordinary depreciation	6,7	19 356 000	17 124 000
Group administrative services	16	654 000	1 067 000
Tonnage tax		180 000	163 000
Other operating and administrative expenses	3	108 000	122 000
Sum kostnader		54 097 000	48 390 000
Driftsresultat		26 595 000	11 706 000
Finansinntekter og finanskostnader			
Finance income	4	4 975 000	1 779 000
Sum finansinntekter		4 975 000	1 779 000
Finance costs	4	8 298 000	10 203 000
Sum finanskostnader		8 298 000	10 203 000
Netto finans		-3 323 000	-8 424 000
Ordinært resultat før skattekostnad			
Income tax expenses	5	0	0
Ordinært resultat etter skattekostnad		23 272 000	3 282 000
Årsresultat		23 272 000	3 282 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Right-of use asset		1 544 000	1 765 000
Sum immaterielle eiendeler		1 544 000	1 765 000
Varige driftsmidler			
Vessels	6	379 355 000	341 322 000
Newbuilding contracts	8	48 441 000	62 316 000
Sum varige driftsmidler		427 796 000	403 638 000
Finansielle anleggsmidler			
Lån til tilknyttet selskap og felles kontrollert virksomhet	9	46 737 000	0
Financial assets	11	510 000	202 000
Sum finansielle anleggsmidler		47 247 000	202 000
Sum anleggsmidler		476 587 000	405 605 000
Omløpsmidler			
Varer			
Inventories		888 000	814 000
Sum varer		888 000	814 000
Fordringer			
Short term loan to related parties	16	1 722 000	0
Short term receivables from related parties	16	10 822 000	10 927 000
Other short-term receivables	9	4 847 000	2 400 000
Sum fordringer		17 391 000	13 327 000
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	10	41 770 000	51 749 000
Sum bankinnskudd, kontanter og lignende		41 770 000	51 749 000
Sum omløpsmidler		60 049 000	65 890 000
SUM EIENDELER		536 636 000	471 495 000



Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	17	298 000	298 000
Overkurs		151 340 000	151 341 000
Sum innskutt egenkapital		151 638 000	151 639 000
Opptjent egenkapital			
Retained earnings		138 811 000	118 030 000
Sum opptjent egenkapital		138 811 000	118 030 000
Sum egenkapital		290 449 000	269 669 000
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14,15	206 813 000	169 304 000
Long term lease liability		1 141 000	1 395 000
Financial liability	11	5 409 000	2 189 000
Sum annen langsiktig gjeld		213 363 000	172 888 000
Sum langsiktig gjeld		213 363 000	172 888 000
Kortsiktig gjeld			
Short-term mortgage debt	14,15	22 473 000	17 367 000
Leverandørgjeld		1 113 000	5 390 000
Kortsiktig konserngjeld	16	2 226 000	217 000
Short-term lease liabilities		458 000	407 000
Tonnage tax payable	5	175 000	157 000
Other current liabilities		6 379 000	5 401 000
Sum kortsiktig gjeld		32 824 000	28 939 000
Sum gjeld		246 187 000	201 827 000
SUM EGENKAPITAL OG GJELD		536 636 000	471 496 000



Balanse

Beløp i: USD	Note	2020	2019
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Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 20.04.2009	Vår dato 25.01.2010
Telefon 22078139	Deres referanse Baard Haugen	Vår referanse 2009/275763

28 JAN. 2010

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

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



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.

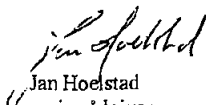


2009/275763 Side 3 av 3

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



KCC SHIPOWNING AS

BOARD OF DIRECTOR'S REPORT 2020

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 2020, the Company's fleet consisted of nine CABU and four CLEANBU combination carriers with another three CLEANBU vessels on order. 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 to the Board's satisfaction there were no major incidents in 2020. The Company is monitoring the development of the COVID-19 virus outbreak and is continuously assessing current and potential impact on crew, and operations. Initial mitigating actions have been implemented and further mitigating actions will be evaluated going forward.

In 2020 the Company sold three vessels MV Baru, MV Barracuda and MV Barramundi to KCC KBA AS for a total amount of USD 157.8 million, with a net sales gain of USD 6.5 million. The pricing was based on a discounted cash flow model. The sales were mainly financed through a loan from KCC Shipowning AS to KCC KBA AS. The internal vessel sales were carried out as there was a possibility the vessels would be used as floating storage during the contract period, which would disqualify the KCC Shipowning AS from the Norwegian tonnage tax regime. MV Baru and MV Barramundi were repurchased in July 2020 for a total amount of USD 100.5 million; and internal loans relating to these vessels were repaid. See cash flow movements from investments for further information. MV Barracuda has been repurchased in February 2021.

CABU

By year-end 2020, the CABU combination carrier fleet consisted of nine vessels. 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 share of days in main combination trades for the CABU vessels ended at 87% for 2020, up from 74% in 2019, on the back of considerably higher caustic soda volume and hence more efficient combination trading, especially in the Pacific where approx. 70% of the CABU fleet was employed in 2020. Three vessels were dry-docked in 2020 with in total 115 scheduled off-hire days. Unscheduled off-hire ended at 77 days, up from 18 days in 2019, mainly due to deviations for crew changes and other deviations related to COVID-19. Operating costs such as costs related to crew changes and forwarding costs have increased as well due to COVID-19. In sum, 2020 turned out to be a strong year for the CABU vessels with the highest TCE earnings since 2015 and very efficient combination trading.

The CABU wet capacity is to a high degree based on freight commitments with long-term COA customers. The caustic soda contract coverage for first half of 2021 is 87% (71% fixed rate coverage), and 54% (38% fixed rate coverage) for second half as one contract is up for renewal.

CLEANBU

The CLEANBU vessels are fully fledged LR1 product tankers and dry bulk Kamsarmax vessels. By year-end 2020, the CLEANBU fleet consisted of four vessels in operation and three vessels under construction. In addition, MV Barracuda has been repurchased in February 2021. One of the vessels under construction was delivered in January 2021 and the remaining two vessels are estimated to be delivered in first half of 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.

The COVID-19 situation has made delivery of newbuilds in China more challenging and costly. It has not been possible to get KCC's crew into China during most of 2020, hence Chinese crews have been employed to sail the two delivered newbuilds to South Korea for crew change. The time from delivery until start of trading has hence increased by an average of 38 days compared to the vessels delivered in 2019. We expect that travel restrictions and extended quarantine regulations in China will add costs and delay start of trading of the last two newbuilds as well. Operating expenses and off-hire are as for the CABU vessels negatively impacted by COVID-19.

Based on the solid progress for the phase-in of the CLEANBU vessels in combination trades and strong tanker markets in first half of 2020, the CLEANBU fleet delivered a solid result for 2020.

The vessels are all under the technical management of Klavness 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 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 Company has no employees. The Board consists of two men and one woman.

The Board of Directors confirms that the financial accounts have been prepared under a going concern assumption. The COVID-19 pandemic made a significant impact on vessel operations in 2020. The vessels are particularly vulnerable to any infection cases onboard, but due to extensive measures taken, only one isolated case was experienced onboard the vessels. The main challenge has been the very limited possibilities for crew changes. For periods, crew changes were close to impossible, causing period extensions for the crew already onboard. Through the year the administration has worked extensively with developing safe corridors for crew change and has managed to reduce the extended contracts to a manageable level. However, it is still very challenging to exchange crew, and this is expected to continue throughout the pandemic.

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 rates were negatively affected by COVID-19 in 2020. Capesize freight rates averaged \$12,829/day during 2020 (-\$5,007/day year-on-year), Panamax freight rates averaged \$9,923/day (\$2,506/day) and Supramax freight rates averaged \$8,165 /day (-\$1,720/day).

Global dry bulk demand growth slowed from +2.8% in 2019 to +1.0% in 2020 according to Klavness Research, while the nominal growth in the dry bulk fleet decreased from 4.0% in 2019 to 3.7% in 2020.

2021 has started on a very strong note in terms of dry bulk freight rates. The main drivers are increasing industrial production, a cold spell in the Far East and very strong grain demand. Industrial production is recovering as the adverse effects of the pandemic become less pronounced. Klavness Research expects fleets growth to moderate and demand to grow in 2021. A key factor will be the impact on industrial production from the rollout of vaccines.



Product tanker

The product tanker market started the year on a strong note with LR1 TC5 time charter equivalent (TCE) earnings at around \$18,500/day. During the first half of 2020, oil prices (and product prices) plummeted on a combination of a negative energy demand shock driven by the COVID-19 lockdowns around the world and the Saudi-Russian oil price war. The oil market imbalances lead to a substantial increase in tanker rates towards the end of the first quarter due to the demand for floating storage, port congestions and volatility-driven arbitrage oil trading.

After the rates spiked during the first half of 2020, the tanker market quickly fell back as the oil market surplus was curtailed by a series of production cuts throughout the year. Production cuts coupled with inventory overhang, low oil prices, oil price backwardation and still muted oil demand has resulted in weak demand for tanker tonnage. The TC5 TCE recorded a high of \$110,000/day for the year, while the average for the year ended at around \$19,400/day. Product tanker demand ended down 10% from 2019 to 2020.

The product tanker market faces headwinds going into 2021, as oil demand is around 6% lower than pre-COVID-19 levels. Continued oil production curtailment, low refinery runs and inventory destocking on oil price backwardation will likely continue to impact the tanker market negatively. Clarksons expect product tanker demand to grow by 6.5% in 2021, which still leaves demand 5 million dwt below 2019 demand. On a positive note the product tanker orders are limited with book-to-fleet ratio around 7%. Furthermore, refinery closures in Australia in combination with refinery openings in the Middle East is a potential positive driver for ton-mile demand.

Fuel prices

Bunker prices came into 2020 at high levels on the back of the implementation of the IMO 2020 regulation. However, the combination of the demand shock from the pandemic and oil price war drove prices sharply down during the first half of 2020. Prices bottomed out at around USD170/mt and have since recovered. VLSFO prices ended at around USD 390/mt in 2020 compared to USD620/mt at year-end 2019. Oil prices ended the year at USD52/bbl, compared to USD66/bbl a year before.

Risk and risk management

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

Market risk

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

Commercial risk

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

Financial risks

A large part of the 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.



There were no major unforeseen events of a financial nature during 2020. The liquidity risk of the Company is considered acceptable. Capital commitments are fully funded, and the refinancing risk is limited over the next year as the first mortgage debt facility falls due in March 2022. 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.

At the end of 2020, the Company had three newbuilds on order. Dedicated on-site personnel supervise the building processes. There is performance risk associated with the newbuilds. Tier one Chinese banks provide refund guarantees and the yard itself is considered financially strong.

Environmental risks

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the 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 2020 was USD 80.7 million (2019: USD 60.1 million) and operating expenses in total amounted to USD 33.8 million (2019: USD 29.9 million). The increase is mainly due to a larger vessel fleet and stronger TCE-earnings. The Company took delivery of two CLEANBU vessels during 2020. Operating profit before depreciation was USD 46.0 million for 2020 (2019: 28.8 million). Net financial items were negative by USD 3.3 million in 2020 down from negative USD 8.4 million in 2019. The positive effect from net financial items is related to intercompany loan interest income from KCC KBA AS, and fair value change of financial derivatives. Net profit after tax was USD 23.3 million for 2020 (2019: USD 3.3 million).

Total assets increased by USD 65.1 million in 2020 from USD 471.5 million at year-end 2019 to USD 536.6 million. The main reasons for the changes in capital are the delivery of two CLEANBU vessels, and the vessel sale to KCC KBA AS. Interest-bearing debt increased by USD 42.6 million during 2020 and amounted to USD 229.3 million at year end 2020. As of 31.12.20 the equity amounts to USD 290.4 million (2019: USD 269.7 million). Total comprehensive income was positive by USD 20.8 million. The book equity ratio at year end 2020 was 54 % (2019: 57 %).

Cash and bank deposits were USD 41.8 million by the end of 2020, down from USD 51.7 million at year end 2019. The cash flow from operating activities was USD 40.2 million in 2020 (2019: USD 33.1 million), while cash flow from investing activities was negative USD 85 million (2019: negative USD 164.3 million). The latter



consists mainly of installments and cost on newbuilding contracts and upgrading/docking of existing vessels. Moreover, the Company has issued loans to KCC KBA AS. The cash flow from financing activities was USD 34.8 million (2019: USD 98.2 million) whereof proceeds from mortgage debt exceeded debt repayment and interests.

The Board of Directors of KCC Shipowning AS

Oslo, 31 December 2020

24 March 2021

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board Member

Morten Skedsmo
Board Member

Engbret Dahm
CEO



KCC Shipowning AS

Financial Statement

31 December 2020



Klaveness
Combination Carriers



KCC Shipowning AS

Income Statement

Year ended 31 December

(USD '000)	Note	2020	2019
Operating revenue, vessels		74 159	60 096
Other operating income	Note 6	6 533	-
Total operating revenue		80 691	60 096
Operating expenses, vessels	Note 2	(33 799)	(29 914)
Group administrative services	Note 16	(654)	(1 067)
Tonnage tax		(180)	(163)
Other operating and administrative expenses	Note 3	(108)	(122)
Operating profit before depreciation		45 951	28 831
Ordinary depreciation	Note 6, 7	(19 356)	(17 124)
Operating profit after depreciation		26 595	11 706
Finance income	Note 4	4 975	1 779
Finance costs	Note 4	(8 298)	(10 203)
Profit before tax		23 272	3 283
Income tax expenses	Note 5	-	-
Profit for the year		23 272	3 283



KCC Shipowning AS

Statement of Financial Position

				As at 31 December	
(USD '000)	Note	2020	2019		
ASSETS					
Non-current assets					
Vessels	Note 6	379 355	341 322		
Newbuilding contracts	Note 8	48 441	62 316		
Right of-use assets		1 544	1 765		
Long-term loan to related parties	Note 9	46 737	-		
Financial assets	Note 11	510	202		
Total non-current assets		476 586	405 605		
Current assets					
Inventories		888	814		
Accounts receivable		0	0		
Short term loan to related parties	Note 16	1 722			
Short term receivables from related parties	Note 16	10 822	10 927		
Prepaid expenses		4 061	1 875		
Other short-term receivables	Note 9	786	525		
Cash and cash equivalents	Note 10	41 770	51 749		
Total current assets		60 049	65 890		
TOTAL ASSETS		536 634	471 494		



KCC Shipowning AS

Statement of Financial Position

As at 31 December			
(USD '000)	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 17	298	298
Share premium		151 340	151 341
Retained earnings		138 811	118 030
Total equity		290 448	269 669
Non-current liabilities			
Mortgage debt	Note 14, 15	206 813	169 304
Long-term lease liabilities		1 141	1 395
Financial liabilities	Note 11	5 409	2 189
Total non-current liabilities		213 362	172 888
Current liabilities			
Short-term mortgage debt	Note 14, 15	22 473	17 367
Accounts payable		1 113	5 390
Current debt to related parties	Note 16	2 226	217
Short-term lease liabilities		458	407
Tonnage tax payable	Note 5	175	157
Other current liabilities		6 379	5 401
Total current liabilities		32 823	28 938
TOTAL EQUITY AND LIABILITIES		536 634	471 494

Oslo, 31 December 2020

Oslo, 24 March 2021

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board member

Morten Skedsmo
Board member

Engebret Dahm
CEO



KCC Shipowning AS

Statement of Cash Flows

(USD '000)	Note	2020	2019
Profit before tax		23 272	3 283
Tonnage tax expensed	Note 5	180	163
Profit from sale of assets		(6 533)	-
Ordinary depreciation	Note 6, 7	19 356	17 124
Amortization of upfront fees bank loans		320	233
Gain (-)/ loss on foreign exchange		(2 210)	(48)
Financial derivatives unrealised loss / gain (-)		2 146	1 627
Interest income		(2 499)	(1 732)
Interest expenses		7 148	7 507
Taxes paid for the period		(157)	(46)
Change in receivables		(2 342)	(2 669)
Change in current liabilities		(417)	6 019
Change in other working capital		(531)	(79)
Interest received		2 499	1 732
A: Net cash flow from operating activities		40 233	33 114
Acquisition of tangible assets *	Note 6	(12 691)	(6 010)
Installments and cost on newbuilding contracts	Note 8	(89 834)	(158 285)
Repayments from related parties		1 722	-
Sales of asset *		15 780	-
B: Net cash flow from investment activities		(85 023)	(164 295)
Proceeds from borrowings	Note 14	60 450	93 000
Transaction costs on issuance of loans		(789)	(586)
Repayment of borrowings	Note 14	(17 367)	(13 923)
Group contribution/dividends paid to equity holders		-	(3 000)
Interest paid	Note 4	(7 084)	(6 867)
Repayment of financial lease liabilities	Note 7	(399)	(385)
Capital increase		-	30 000
C: Net cash flow from financing activities		34 812	98 239
Net change in liquidity in the period (A + B + C)		(9 979)	(32 942)
Cash and cash equivalents at beginning of period		51 749	84 691
Cash and cash equivalents at end of period	Note 10	41 770	51 749
Net change in cash and cash equivalents in the period		(9 979)	(32 942)

* The intercompany seller's credit is excluded from the cash flow from investment activities. See note 6 and 16 for gross value of the transactions.



KCC Shipowning AS

Statement of Other Comprehensive Income

(USD '000)	Note	2020	2019
Net profit/ (loss)		23 272	3 283
<i>Other comprehensive income to be reclassified to profit or loss</i>			
Net movement fair value hedge instruments		364	
Net movement fair value Interest Swaps		(2 856)	(686)
Income tax effect		-	-
Net other comprehensive income to be reclassified to profit or loss		(2 492)	(686)
Other comprehensive income not to be reclassified to profit or loss			
Other comprehensive income/(loss) for the period, net of tax		(2 492)	(686)
Total comprehensive income/(loss) for the period, net of tax		20 781	2 597



KCC Shipowning AS

Statement of Changes in Equity

	Attributable to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total
Equity at 1. January 2019	287	121 352	119 369	241 009
Correction from prior periods*			(937)	(937)
Restated Equity 1 January 2019			118 432	240 072
Profit (loss) for the year			3 283	3 283
Other comprehensive income for the year			(686)	(686)
Total comprehensive income for the year			2 597	2 597
Capital increase (June 7, 2019)	11	29 989		30 000
Group contribution			(3 000)	(3 000)
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

* Restatement is reconciled and explained in note 18.



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 in Drammensveien 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 nine 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 five CLEANBU vessels in operation and three CLEANBU newbuildings on order with estimated delivery between Q1-2021. The sixth CLEANBU vessel was delivered 11 January 2021. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

The Company is a subsidiary of the listed Company Klavness 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 Klavness. The consolidated financial statements for the ultimate parent are available at www.klavness.com.

The financial statements for KCC Shipowning AS for the fiscal year 2020 are approved in the board meeting at 24 March 2020.

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 forecast profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the 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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life for the 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 01.01.2021 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 \$320/ltd as from 01.01.2021.

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 2018 and 2019 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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

assets and liabilities recognized at fair value are translated using the exchange rate on the date of the determination of the fair value.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was 9.4264 USD/NOK in 2020 (2019: 8.8025). At 31 December 2020, an exchange rate of USD/NOK 8.5375 (2019: 8.8176) 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 (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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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 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.

Newbuildings

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

Impairment of vessels and newbuildings

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

RIGHT OF USE OF ASSETS

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

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

- Lease contracts for underlying assets of a low value will continue to be expensed to the income statement.

The 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. 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. Under IFRS 16, which was implemented as from January 1, 2019 the Company recognises right-of-use assets and lease liabilities. The Company previously classified these leases as operating leases in line with IAS 17.

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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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.

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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

- 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 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.



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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 11.

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.

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 2020 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:



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

- 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.

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 16.

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



NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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)	2020	2019
Technical expenses	10 799	9 154
Crew costs	15 765	12 895
Insurance	2 374	2 205
Crewing agency fee to Klaveness Ship Management AS	1 002	953
Ship management fee to Klaveness Ship Management AS	2 815	2 640
IT fee to Klaveness AS	57	94
Other operating expenses	1 093	1 972
Total operating expenses	33 906	29 914

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 16 for transactions with related parties.



Note 3 - Other operating and administrative expenses

The Company has no employees, and as such no wage expenses or pension liabilities has been occurred in 2020. 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 RASTK. No special remuneration has been paid to the members of the Board of Directors, because such positions are a part of their regular employment.

Remuneration to the auditor

(USD'000)	2020	2019
Statutory audit	36	91
Other assurance services	8	4
Total expensed audit fee	44	95

Auditor's fees are stated excluding VAT.



Note 4 - Finance income and finance costs

(USD'000)	2020	2019
Interest received from related parties	2 499	-
Other interest income	178	1 732
Gain on foreign exchange	2 299	48
Total finance income	4 975	1 779

(USD'000)	2020	2019
Interest expenses mortgage debt	7 148	7 507
Interest expenses lease liabilities	84	96
Other financial expenses	381	286
Financial expenses to related parties	250	-
Fair value interest rate swaps	346	2 313
Loss on foreign exchange	89	-
Total finance costs	8 298	10 203



Note 5 - Taxes

Tonnage tax

The company is subject to the tonnage tax regime and is exempt from ordinary tax on its shipping income. The companies within this system pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian exemption model, 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 2020 (2019: 22 %).

(USD '000)	2020	2019
A. TAX EXPENSE		
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		
Pre-tax profit	20 781	2 597
Profit from shipping operations	(24 479)	(3 718)
Net financial items according to calculation in section B.1	(3 698)	(1 120)
Use of tax losses carried forward	3 887	1 138
Exchange rate adjustment	(189)	(18)
Tax basis for the year	0	-
Tax payable	0	-
Tonnage tax (included in operation profit)	180	163
Total tax payable in the balance sheet	180	163



B.1.1 CALCULATION OF PROPORTIONAL DEDUCTION OF INTEREST EXPENSE / FOREIGN CURRENCY LOSSES

- figures calculated from NOK to year end currency rate

Calculation of share of total financial assets for KCC Shipowning AS	At December 31,		Average
	At January 1, 2020	2020	
Financial assets KCC Shipowning AS	67 406	106 588	86 997
Total financial assets of the company, including underlying companies	67 406	106 588	86 997
Total capital in KCC Shipowning AS	466 729	551 017	508 873
Share of financial assets (in %)	14,44 %	19,34 %	17,10 %
Exchange rate adjusted share of financial assets (in %)			17,10 %

Calculation of proportional deduction for interest expenses / foreign currency losses

2020

Actual interest expenses recorded in the profit and loss account	(7 148)
Capitalized interests	-
Interest expense, not deductible	0,29
Interest expense subject to proportional distribution	(7 205)
Calculated proportion of interest expenses for deduction in tax income 17,1%	(1 232)
Foreign currency losses / (gain) recorded in the profit and loss account	-2 299
Calculated proportion of currency gain/ loss for increase/ decrease in tax income 17,1 %	-393

B.1.2 CALCULATION OF NET FINANCIAL ITEMS

2020

2019

Financial income and expenses recorded in the profit and loss account

Interest income from Group companies	2 499	-
Other interest income	178	1 732
Other financial income	-	-
Interest expense according to proportional calculation	(1 232)	(1 519)
Realized swap interest - including change in temporary difference on accrued interests)	(1 204)	(226)
Capitalised commitment fees	(1 239)	(1 037)
Other financial expenses	(381)	(286)
Foreign currency loss according to proportional calculation	(393)	(10)
Foreign currency adjustment	(1 926)	226
Change in temporary differences associated with:		
* Interest rate swaps/provisions		
Net financial items	(3 698)	(1 120)



Note 5 - Taxes cont.

B.2 CALCULATION OF INCREASE IN INCOME DUE TO HIGH EQUITY

<i>- figures calculated from NOK to year end currency rate</i>	At December 31,		
	At January 1, 2020	2020	Average
Total capital KCC Shipowning AS	471 494	536 634	504 064
A) Total, adjusted assets	471 494	536 634	504 064
Liabilities in KCC Shipowning AS	201 826	246 185	224 006
B) Total, adjusted liabilities	201 826	246 185	224 006
C) 30% of average assets (A*30%)			151 219
Average equity above 70% C - B			(72 786)
Increase in income due to high equity - Prescribed interest rate on positive amount		1,30 %	-

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:

	2020	2019
Profit before tax	20 781	2 597
Nominal tax rate	22 %	22 %
Calculated tax payable on pre-tax profit using the nominal taxation rate	4 572	571
Tax effect, profit from shipping operations	(5 427)	(818)
Tax effect, change in not listed deferred tax	1 509	992
Tax effect, temporary differences	(654)	(636)
Tax expense	-	-
Effective tax rate	0,00 %	0,00 %



Note 5 - Taxes cont.

Specification of the tax effect of temporary differences

D. DEFERRED TAX / (DEFERRED TAX ASSET) (USD'000)	Status at Jan 1, 2020	Change	Status at Dec 31, 2020	Tax effect at Dec 31, 2020 22 %	Status at Dec 31, 2019	Tax effect at Dec 31, 2019 22 %
Foreign currency loan	-	-	-	-	-	-
Provision for loss on interest rate instrument	(1 624)	(3 428)	(5 053)	(1 112)	(1 624)	(357)
Estimated, unpaid swap interest	36	91	127	28	36	8
IFRS: Financial instruments valued at fair value	(364)	364	-	-	(364)	(80)
Temporary differences (Omvurderingskonto)	-	-	-	-	-	-
Total temporary differences	(1 953)	(2 973)	(4 926)	(1 084)	(1 953)	(430)
Total temporary differences - before financial losses carried forward	(1 953)	(2 973)	(4 926)	(1 084)	(1 953)	(430)
Financial losses carried forward	(5 763)	(3 887)	(9 650)	(2 123)	(5 763)	(1 268)
Total temporary differences	(7 715)	(6 860)	(14 575)	(3 207)	(7 715)	(1 697)
Deferred tax / (deferred tax asset) recorded in the balance sheet				-		-
Change in deferred tax / (deferred tax asset)				-		-



Note 6 - Vessels

(USD'000)	Note	2020	2019
Cost price 1.1		413 928	252 014
Delivery of newbuildings		103 604	155 904
Internal repurchase of vessels	Note 16	100 500	-
Additions related to vessels		3 066	-
Additions (mainly upgrading and docking of vessels)		1 930	6 010
Adjustment acquisition value newbuildings delivered		(862)	-
Disposals related to vessels	Note 16	(151 267)	-
Costprice end of period		470 900	413 928
Acc. Depreciation 1.1		65 334	48 595
Depreciation vessels		18 939	16 739
Acc. Depreciation end of period		84 274	65 334
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*		379 355	341 322

*) carrying value of vessels includes dry-docking

No. of vessels	14	12
Useful life	25	25
Depreciation schedule	Straight-line	Straight-line

Additions

The CLEANBU vessels MV Baleen and MV Bangus were delivered from Jiangsu New Yangzi Shipbuilding Co. Ltd, respectively, 4 August 2020 and 13 October 2020. The CABU vessels MV Bantry, MV Bangor and MV Banasol have performed scheduled dry-docking in 2020 of in total USD 4.8 million. Dry-docking of MV Banasol was completed early January 2021 and related addition in late 2020 of USD 1.7 million is presented as prepaid expense.

Vessel sales

In 2020 the Company sold three vessels MV Baru, MV Barracuda og MV Barramundi to KCC KBA AS for an amount of USD 157.8 million, with a net sales gain of USD 6.5 million. As the sales were internal within the Klaveness Combination Carriers Group, the pricing was based on a discounted cash flow model. The sales were mainly financed through a loan from KCC Shipowning AS to KCC KBA AS. MV Baru and MV Barramundi were repurchased in 2020 for an amount of USD 100.5 million; and loans relating to these vessels were repaid. See cash flow movements from investments for further information. MV Barracuda has been repurchased in February 2021. Refer to note 19 for further information.

Pledged Vessels

All owned vessels are pledged to secure the various loan facilities (refer to note 11 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. The Company has experienced somewhat higher opex and more offhire caused by Covid-19, however, TCE earnings for 2020 for both the fleet of CABUs and the fleet of CLEANBUs and diversified market exposure support the conclusion of no impairment indicators identified as per 31 December 2020. Contract coverage for the CABUs for 2021 is high, while the CLEANBUs will trade in the spot market. The CLEANBU fleet shows good progress expanding service into the clean petroleum product markets. New milestones related to acceptance from new customers and new ports as well as expanding into new trading patterns are reached every quarter.



Note 7 - Leasing

The Company as a lessee

Right-of-use assets

The Company has leasing agreements related to satellite 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)	2020	2019
Cost price 1.1	2 150	1 693
Addition of right-of-use assets	358	546
Disposals	(162)	(89)
Costprice end of period	2 346	2 150
Acc. Depreciation 1.1	385	-
Depreciation right of use assets	417	385
Acc. Depreciation end of period	802	385
Carrying amounts end of period	1 544	1 765

The Company adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospective method, see note 1. The Group has leasing agreements related to satellite communication and IT equipment onboard the vessels. A lease liability and right-of-use assets have been presented for these contracts which previously were reported as operating expenses.

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows (USD '000)	Total
Less than 1 year	538
1-5 years	1 274
More than 5 years	-
Total undiscounted lease liabilities at 31 December 2019	1 811

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 8 - Newbuildings

The Company has per 31 December 2020 three CLEANBU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China, whereof MV Baiacu was delivered 11 January 2021 (note 20), and the last two newbuildings will be delivered first half 2021. The Group took delivery of the fourth and fifth CLEANBU vessel, MV Baleen and MV Bangus, in respectively August and October 2020 (note 6).

(USD'000)	2020	2019
Cost 1.1	62 316	59 877
Borrowing cost	1 023	1 302
Yard installments paid	80 851	148 170
Other capitalized cost	7 960	8 813
Delivery of newbuildings	(103 708)	(155 847)
Net carrying amount	48 442	62 316

Borrowing costs are capitalised to the extent that they are directly related to the acquisition of the vessel. See note 14 for further information of financing of newbuildings.

Capital commitments

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

Remaining installments at 31 December 2020 (USD '000)	2021	Total
Combination carriers	97 650	97 650
Total commitments newbuildings	97 650	97 650



Note 9 - Trade receivables and other current assets

(USD'000)	2020	2019
Receivables from related parties	10 822	10 927
Prepaid expenses	4 061	1 875
Accrued income	-	-
Accrued interest income	-	13
Insurance claim	167	61
Other short-term receivables	619	451
Other short-term receivables	15 669	13 328

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



Note 10 - Cash and cash equivalents

The Company has bank deposits in the following currencies:

(USD'000)	2020	2019
Cash and bank deposits, NOK	790	332
Bank deposits, USD	40 980	51 417
Total cash and cash equivalents	41 770	51 749

No cash is restricted.



Note 11 - 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 combined notional value of negative USD 176.6 million and duration until 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 2020.

Financial assets at 31 December	2020	2019
<i>Financial instruments at fair value through OCI</i>		
Interest rate swaps	356	-
<i>Financial instruments at fair value through P&L</i>	154	
Interest rate swaps		202
Financial assets	510	202

Financial liabilities at 31 December	2020	2019
<i>Financial instruments at fair value through OCI</i>		
Interest rate swaps	5 409	364
<i>Financial instruments at fair value through P&L</i>		
Interest rate swaps		1 825
Financial liabilities	5 409	2 189



Note 12 - 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. Targets have been defined for equity ratio and minimum liquidity. The equity ratio as of 31 December 2020 was 55 % (2019: 57 %) and cash was USD 41.7 million. The Company's covenants are described in note 14.

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

The Company aims to spend free cash flows as follows:

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

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Company, the ability to do new business and to ensure access to funding at favourable terms. The Company's capital structure consists of mortgage debt (note 14), cash and cash equivalents and equity attributable to the shareholders.

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.

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

The COVID-19 pandemic had significant impact on vessel operations in 2020. The vessels are particularly vulnerable to any infection cases onboard. To ensure health & safety of our crew and reduce risk of off-hire, we have implemented COVID-19 management plan with strict testing, quarantine procedures and routines for crew and visitors onboard the vessels.

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. These risks are to some extent managed through contracts of affreightment covering a large part of the Company's fleet capacity for the nearby year and covering part of the exposure for the next 1-2 years.

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 2020, 47 % of the floating interest 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 2020 and 2019, 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	2020	2019
USD LIBOR	+1,00%	1 220	776
	+ 0,5%	610	388
	- 0,50%	(180)	(388)





Note 12 - 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 Group has the legal right to insurance coverage. As such, default by an insurance institution may have material financial consequences.

The Company has two newbuildings on order (MV Baiacu delivered 11 January 2021). Risk of delays and failure of the yard to deliver exists. Tier one Chinese banks have provided refund guarantees. Further, the Company is exposed to credit risk through its deposits. Deposits are currently made with investment grade financial institutions with A rating or higher from public rating agency. Total unrisks credit risk at 31 December 2020 amounts to USD 59.1 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 and newbuildings. 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. The table below illustrates the timing and magnitude of the Company's financial liabilities.

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 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)

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

Maturity profile financial liabilities at 31 Dec 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	(25 184)	(102 651)	(81 043)	-	(208 879)
Trade and other payables	(5 390)	-	-	-	(5 390)
Current debt to related parties	(217)	-	-	-	(217)
	(30 791)	(102 651)	(81 043)	-	(214 485)



Note 13 - 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.

(USD'000)	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial assets at fair value through OCI				
Interest rate swaps	356	-	356	-
Financial assets at fair value through P&L				
Interest rate swaps	-	202	-	202
Loans and receivables at amortised cost				
Long-term receivables from related parties	46 737	-	46 737	-
Short-term receivables to related parties	10 822	10 927	10 822	10 927
Other short-term receivables	786	2 400	786	2 400
Total loans and receivables	58 345	13 328	58 345	13 328
Cash and cash equivalents	41 770	51 749	41 770	51 749
Total	100 471	65 278	100 471	65 278
Total current	53 378	65 076	53 378	65 076
Total non-current	47 093	202	47 093	202

(USD'000)	Carrying amount		Fair value	
	2020	2019	2020	2019
Financial liabilities at fair value through P&L				
Interest rate swaps	5 409	364	5 409	364
Financial liabilities at amortised cost				
Interest rate swaps	-	1 825	-	1 825
Long-term interest bearing debt	206 813	169 304	208 052	170 074
Short-term interest bearing debt	22 473	17 367	22 473	17 367
Accounts payable	1 113	5 390	1 113	5 390
Current debt to related parties	2 226	217	2 226	217
Other current liabilities	6 379	4 464	6 379	4 464
Total financial liabilities at amortised cost	239 003	196 741	240 242	197 511
Total	244 412	198 566	245 651	197 875
Total current	32 190	27 437	32 190	27 437
Total non-current	212 221	171 129	213 460	170 438

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 received from banks.



Note 13 - 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

31. December 2020				
Assets (USD'000)	Level 1	Level 2	Level 3	Total
<i>Financial assets measured at fair value</i>				-
Interest rate swaps, caps		510		510

31. December 2020				
Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
<i>Financial liabilities not measured at fair value, but for which fair value is disclosed</i>				
Mortgage debt			230 524	230 524
<i>Financial liabilities at fair value through profit or loss</i>				
Interest rate swaps		5 409		5 409

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 14 - Interest bearing debt

The below tables present the Company's financing arrangements as per 31 December 2020.

During 2020 the Company made a total USD 60.45 million in drawdowns under the SEB/SR-Bank/SPV term loan facility in connection with the delivery of the newbuild vessels MV Baleen and MV Bangus.

In 2020 the Company signed a USD 60 million sustainability Linked Term Loan and Revolving Credit Facility with Nordea and Credit Agricole to finance two CLEANBU vessels with delivery in 2021. The margin is 2.75% and main terms including guarantee from Klaveness Combination Carriers ASA and financial covenants are in line with existing financing.

(USD '000)				
Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	76 763
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	93 311
SEB/SR-Bank/SPV Facility*	Term loan/RCF, 90.75 mill	LIBOR + 2.3 %	October 2025	60 450
Capitalized loan fees				(1 239)
Mortgage debt 31 December 2020				229 285

* Facility relates to financing of the three CLEANBU vessels with delivery in 2020 and 2021.

(USD '000)	Fair value		Carrying amount	Carrying amount
	31-Dec-20	31-Dec-20	31-Dec-20	31-Dec-19
Interest bearing liabilities				
Mortgage debt	208 052		208 052	170 074
Capitalized loan fees	-		(1 239)	(770)
Total non-current interest bearing liabilities	208 052		206 813	169 304
Mortgage debt, current	22 473		22 473	17 367
Total interest bearing liabilities	230 524		229 285	186 670

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 2020, 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 a security for the mortgage debt, the company has included a first priority security in all vessels and earnings accounts assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral, mortgaged and leased assets:	2020	2019
Vessels	379 355	341 322
Total book value of collateral, mortgaged and leased assets	379 355	341 322



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 2020	-	407	17 367	169 303	151 638	138 811	473 817
Repayment of mortgage loan			(17 367)				
Proceeds from mortgage loan (net transaction cost)				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			
Non-cash movement		450	22 473	(22 473)			
Total liability- related changes	-	450	22 473	(22 153)	0	0	770
Total equity-related other changes							
Balance at 31 December 2020		458	22 473	206 811	151 638	138 811	509 399

(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 2019			12 200	95 746	151 639	118 945	374 822
Repayment of mortgage debt			(13 923)				
Proceeds from mortgage debt				93 000			
Transaction costs on issuance of loans				(586)			
Interest paid	(6 867)						
Capital increase (net of transaction costs)						30 000	
Group contribution						(3 000)	
Dividends							
Terminated financial instruments							
Repayment of lease		(385)					
Total Changes from financing cash flow	(6 867)	(385)	(13 923)	92 414	-	27 000	105 106
Liability- related							
Expensed capitalised borrowing costs				233			233
Non-cash movement		792	19 090	(19 090)			792
Total liability- related changes	0	792	19 090	(18 857)	-	-	1 025
Total equity-related other changes					(1)	(7 134)	(7 136)
Balance at 31 December 2019		407	17 367	169 303	151 638	138 811	473 817



Note 15 - Commitments and guarantees

Capital commitments

The Company has capital commitments relating to borrowings and newbuildings. For information of maturity profile for interest bearing debt, see note 11. Commitments related to newbuildings are presented in note 8. Available facilities are presented in note 14.

Guarantees

No guarantees provided by the Company at 31 December 2020.



Note 16 - Transactions with related parties

SERVICES

The ultimate owner of KCC Shipowning AS is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS, which owns 53,82 % of the shares in Klaveness Combination Carriers ASA which 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 Company such as accounting, legal, IT services, rent and office services, management (CEO and CFO time). In 2020, management personnel were employed in Klaveness Combination Carriers ASA, and subsequently, CEO, CFO and financial services were purchased from this company.

For the newbuildings in the Company, Klaveness Ship Management AS (KSM) performs supervision and project management services (capitalized as part of newbuildings). 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).

(USD'000)	2020	2019
Commercial and administrative services		
G&A fee to Klaveness AS	590	998
Travel expenses and operating cost invoiced from Klaveness AS	63	69
Group administrative services	654	1 067

(USD'000)	2020	2019
Technical management fee (reported as part of opex) to KSM	1 059	2 735
Crewing agency fee to KSM (reported as part of opex)	948	953
Supervision and project management fee capitalised on newbuildings to Klaveness AS	296	2 075
Supervision and project management fee capitalised on newbuildings to Klaveness Ship Management AS	1 501	-
Interest income from related parties	2 499	-
Interest expenses from related parties	31	-
Total other transactions with related parties	6 334	5 763

PURCHASE AND SALE OF SHARES

Shares in Banasol Inc, Banastar Inc, Cabu Bangor Inc, Cabu V Investment Inc, Cabu VI Investment Inc was sold from KCC Shipowning AS to Klaveness AS (affiliated company) in January 2019. There was no activity in the single purpose companies as per sales date. All material assets and liabilities were sold or distributed as dividends/contribution in kind to KCC Shipowning AS in 2018, and share capital was reduced to USD 1 000 in all companies.

(USD'000)	31 Dec 2020	31 Dec 2019
Receivables and debt to related parties		
Long-term loan to related parties (KCC KBA AS)	46 737	-
Long-term receivables		
Short term loan to related parties (KCC KBA AS)	1 722	-
Receivables from related parties (KCC KBA AS)	561	-
Receivables from related parties (KSM AS)	63	130
Receivables from related parties (KAS AS)	413	-
Receivables from related parties (KCCC AS)	9 784	10 798
Short-term receivables to related parties	12 544	10 928
Current debt to related parties (KCC AS)	577	-
Current debt to related parties (KSM AS)	490	38
Current debt to related parties (KCCC AS)	1 158	28
Current debt to related parties (KAS AS)	0	150
Current debt related parties	2 226	217

In 2020, the Company has sold and repurchased vessels internally with KCC KBA AS, another fully owned subsidiary of Klaveness Combination Carriers ASA. Please refer to note 6 for further details.



Note 17 - Share capital, shareholders, dividends and reserves

Share capital	2020		2019	
	Number	NOK	Number	NOK
Ordinary shares	1 000	2 100 000	1 000	2 100 000

All shares are issued and fully paid.

The ownership is as follows:	2020	2019
	Number of shares	
Klaveness Combination Carriers ASA	970	970
KCC Chartering AS	30	30



Note 18 - Restatement of 2019

ASSETS (USD '000)	01 Jan 2019	Adjustment	Restated 01 Jan 2019
Total non-current assets	257 378	-	257 378
Total current assets	96 163	-	96 163
			-
TOTAL ASSETS	353 541	-	353 541

EQUITY AND LIABILITIES (USD '000)	01 Jan 2019	Adjustment	Restated 01 Jan 2019
Total equity	241 009	(937)	240 072
Total non-current liabilities	96 158		96 158
Total current liabilities	16 374	937	17 311
TOTAL EQUITY AND LIABILITIES	353 541	-	353 541

An error related to incorrect accrual of USD 0.9 million from 2018 has been identified. The error has been corrected against 2019 opening balance in line with IAS 8 with corresponding restatement of statement of changes in equity and balance sheet as of 01 January 2019.



Note 19 - Events after balance sheet date

The sixth CLEANBU vessel, MV Baiacu, was delivered from Jiangsu New Yangzi Shipyard in China at 11 January 2021.

11 February 2021 KCC KBA AS sold MV Barracuda back to KCC Shipowning AS.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2020.



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Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCC Shipowning AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KCC Shipowning AS, which comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

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



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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 24 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Independent auditor's report - KCC Shipowning AS

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Johan Nordby

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Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCC Shipowning AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KCC Shipowning AS, which comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 24 March 2021
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Independent auditor's report - KCC Shipowning AS

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Johan Nordby

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