Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	932 578 247
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	REDERIAKSJESELSKAPET TORVALD KLAVENESS
Forretningsadresse:	Drammensveien 260 0283 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Solveig Sundby
Dato for fastsettelse av årsregnskapet:	25.03.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert

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

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

Brønnøysundregistrene, 02.06.2023

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Other operating revenue		78 000	0
Sum inntekter		**78 000**	**0**
Kostnader			
Operating and administrative expenses	2,3	3 040 000	2 459 000
Sum kostnader		**3 040 000**	**2 459 000**
Driftsresultat		**-2 962 000**	**-2 459 000**
Finansinntekter og finanskostnader			
Income from subsidiary	4	21 643 000	6 576 000
Gain/(loss) from sale of subsidiary	4	0	-15 000
Annen renteinntekt		642 000	252 000
Net financial income /expenses		159 000	62 000
Sum finansinntekter		**22 444 000**	**6 875 000**
Impairment subsidiaries/reversal	4	-8 053 000	0
Net financial income /expenses			
Net currency gain /Loss		-1 179 000	100 000
Sum finanskostnader		**-9 232 000**	**100 000**
Netto finans		**31 676 000**	**6 775 000**
Ordinært resultat før skattekostnad		**28 714 000**	**4 316 000**
Taxes	5	-54 000	0
Ordinært resultat etter skattekostnad		**28 768 000**	**4 316 000**
Årsresultat		**28 768 000**	**4 316 000**
Overføringer og disponeringer			
Ordinært utbytte		4 527 000	
Overføringer til/fra annen egenkapital		24 240 000	4 316 000
Sum overføringer og disponeringer		**28 767 000**	**4 316 000**

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	4	226 548 000	52 698 000
Sum finansielle anleggsmidler		**226 548 000**	**52 698 000**
Sum anleggsmidler		**226 548 000**	**52 698 000**
Omløpsmidler			
Varer			
Fordringer			
Other receivables		5 000	3 000
Konsernfordringer	6	7 551 000	17 764 000
Sum fordringer		**7 556 000**	**17 767 000**
Bankinnskudd, kontanter og lignende			
Bank deposits	7	30 583 000	113 000
Sum bankinnskudd, kontanter og lignende		**30 583 000**	**113 000**
Sum omløpsmidler		**38 139 000**	**17 880 000**
SUM EIENDELER		**264 687 000**	**70 578 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital (100 shares a NOK 509 982)		8 153 000	8 153 000
Annen innskutt egenkapital		10 855 000	10 855 000
Sum innskutt egenkapital		**19 008 000**	**19 008 000**
Opptjent egenkapital			

Balanse

Beløp i: USD	Note	2021	2020
Other equity	8	221 623 000	36 427 000
Sum opptjent egenkapital		**221 623 000**	**36 427 000**
Sum egenkapital		**240 631 000**	**55 435 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Langsiktig konserngjeld	9	0	12 983 000
Sum annen langsiktig gjeld		**0**	**12 983 000**
Sum langsiktig gjeld		**0**	**12 983 000**
Kortsiktig gjeld			
Utbytte		4 527 000	0
Kortsiktig konserngjeld	10	10 005 000	2 152 000
Debt to related parties	10	9 496 000	7 000
Other short term liabilites		28 000	
Sum kortsiktig gjeld		**24 056 000**	**2 159 000**
Sum gjeld		**24 056 000**	**15 142 000**
SUM EGENKAPITAL OG GJELD		**264 687 000**	**70 577 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Gross revenues from operations of vessels	5	519 899 000	308 922 000
Net income/loss from physical and financial freight agreements	7	38 754 000	8 006 000
Other operating revenue		5 133 000	5 722 000
Other income	3	1 954 000	
Gain on sale of vessels	11,33	27 959 000	
Sum inntekter		**593 699 000**	**322 650 000**
Kostnader			
Voyage related expenses and distribution of pool result	9	380 775 000	194 269 000
Operation of vessels	9	57 434 000	52 181 000
Salaries and social expenses	8,9	34 603 000	21 326 000
Depreciation fixed assets	11	33 512 000	26 940 000
Reversal of impairment fixed assets	11,12	-41 253 000	975 000
Other operating and administrative expenses	41	11 661 000	10 037 000
Sum kostnader		**476 732 000**	**305 728 000**
Driftsresultat		**116 967 000**	**16 922 000**
Finansinntekter og finanskostnader			
Income from associated companies	3,13	31 000	-7 000
Net interest income/Expense	14		
Net currency gain/loss		2 445 000	1 401 000
Sum finansinntekter		**2 476 000**	**1 394 000**
Annen rentekostnad	14	15 603 000	14 556 000
Other financial income/loss	15	3 720 000	3 665 000
Sum finanskostnader		**19 323 000**	**18 221 000**
Netto finans		**-16 847 000**	**-16 827 000**
Ordinært resultat før skattekostnad		**100 120 000**	**95 000**
Taxes	16	-206 000	65 000
Ordinært resultat etter skattekostnad		**100 326 000**	**30 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2021	2020
Årsresultat		**100 326 000**	**30 000**
Minoritetsinteresser		12 005 000	6 107 000
Årsresultat etter minoritetsinteresser		**88 321 000**	**-6 077 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Other intangible assets	11	4 432 000	3 308 000
Utsatt skattefordel	16	6 897 000	6 578 000
Sum immaterielle eiendeler		**11 329 000**	**9 886 000**
Varige driftsmidler			
Vessels	11	536 192 000	512 084 000
Newbuilding contract	12	0	48 091 000
Other tangible assets	11	4 244 000	4 234 000
Sum varige driftsmidler		**540 436 000**	**564 409 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap	13	84 000	65 000
Other long term receivables		323 000	440 000
Sum finansielle anleggsmidler		**407 000**	**505 000**
Sum anleggsmidler		**552 172 000**	**574 800 000**
Omløpsmidler			
Varer			
Bunkers on board vessels	17	35 428 000	20 331 000
Sum varer		**35 428 000**	**20 331 000**
Fordringer			
Accounts receivable	18	30 921 000	21 124 000
Prepaid expenses	19	29 931 000	15 140 000
Other short term receivables	20	24 051 000	21 687 000
Derivatives		15 000	1 024 000
Sum fordringer		**84 918 000**	**58 975 000**
Bankinnskudd, kontanter og lignende			
Cash and bank deposits	21	203 609 000	98 696 000
Sum bankinnskudd, kontanter og lignende		**203 609 000**	**98 696 000**

Konsernets balanse

Beløp i: USD	Note	2021	2020
Sum omløpsmidler		**323 955 000**	**178 002 000**
SUM EIENDELER		**876 127 000**	**752 802 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital (10.000 shares a NOK 5099,82)		8 154 000	8 154 000
Overkurs		49 052 000	49 052 000
Sum innskutt egenkapital		**57 206 000**	**57 206 000**
Opptjent egenkapital			
Other equity	22	230 117 000	159 405 000
Minoritetsinteresser	22	125 007 000	105 022 000
Sum opptjent egenkapital		**355 124 000**	**264 427 000**
Sum egenkapital		**412 330 000**	**321 633 000**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	8	807 000	739 000
Sum avsetninger for forpliktelser		**807 000**	**739 000**
Annen langsiktig gjeld			
Obligasjonslån	24	75 319 000	75 179 000
Gjeld til kredittinstitusjoner	23	250 183 000	206 813 000
Other long-term interest bearing liabilities	25,32	3 717 000	11 322 000
Sum annen langsiktig gjeld		**329 219 000**	**293 314 000**
Sum langsiktig gjeld		**330 026 000**	**294 053 000**
Kortsiktig gjeld			
Leverandørgjeld	26	29 764 000	13 260 000
Taxes payable	16	390 000	310 000
Utbytte	22	4 527 000	0
Accrued expenses	27	26 683 000	15 195 000
Short-term interest bearing debt	28	26 546 000	73 739 000

Konsernets balanse

Beløp i: USD	Note	2021	2020
Derivatives		24 000	0
Other short term liabilities	29	45 839 000	34 612 000
Sum kortsiktig gjeld		**133 773 000**	**137 116 000**
Sum gjeld		**463 799 000**	**431 169 000**
SUM EGENKAPITAL OG GJELD		**876 129 000**	**752 802 000**

Admincontrol

List of Signatures

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RASTK Consolidated Financial Statements 2021_FINAL.pdf

Name	Method	Signed at
Rynning-Tønnesen, Chr W	BANKID_MOBILE	2022-03-28 17:48 GMT+02
Klaveness, Trond Harald	BANKID_MOBILE	2022-03-25 14:53 GMT+01
Kristoffersen, Lasse	BANKID_MOBILE	2022-03-25 11:50 GMT+01
Thorleifsson, Jan Tellef	BANKID_MOBILE	2022-03-25 11:19 GMT+01

Torvald Klaveness

Annual Report

IMPROVING THE NATURE OF SHIPPING

Torvald Klaveness

DIRECTORS' REPORT 2021

Highlights

Safety is priority number one in Klaveness, and 2021 has again been a year with safety at the core of our operations. The overall safety statistics and environmental performance, as well as vetting and inspection results, continued its positive trend in 2021 compared to previous years. Nevertheless, the fleet experienced one occupational fatality in 2021. This has been investigated in full and revealed no breach in safety procedures or systems. However, several actions have been implemented fleet-wide to ensure all relevant learning from this accident. The year was also delivered without any COVID-19 incidents onboard any vessels in the fleet due to an extensive COVID-19 management plan.

Klaveness' vision is to improve the nature of shipping. The strategic ambition is to "make seaborne supply chains resilient, decarbonized and cost-effective" and this entails three strategic goals; 1) to provide the leading solution for seaborne supply chain management through Klaveness Digital's CargoValue solution, 2) become the leading provider and enabler of zero/low-emission freight through Klaveness Combination Carriers, Klaveness Ship Management and ZeroLab by Klaveness, and 3) develop the leading manager of freight and fuel exposure through Klaveness Dry Bulk.

Klaveness Digital experienced strong customer growth for the CargoValue product in 2021, doubling Annual Recurring Revenue (ARR) year-on-year. CargoValue is a logistics platform for industrial companies sourcing and shipping raw materials. The platform allows teams to efficiently plan and manage their shipping schedule and inventory in one unified solution in real-time. Several new features related to scenario planning, berth optimization, inventory management and emissions monitoring were launched with high customer satisfaction during 2021.

Klaveness Combination Carriers ASA (KCC) continued to expand its business in 2021 and took delivery of three CLEANBU vessels in the first half of the year. As part of the phasing-out of vintage tonnage, KCC also sold a 20-year-old CABU vessel at the back of high secondhand prices, leaving the fleet with eight CLEANBU and eight CABU vessels by year-end. Despite start-up costs of new CLEANBU vessels and significant extraordinary costs from COVID-19, KCC delivered strong results in 2021 and successfully raised 25 MUSD for a carbon emission reduction plan. Klaveness is today the majority shareholder of KCC holding 53.8% of the shares.

In 2021, Klaveness Ship Management (KSM) continuously improved performance, most notably in the areas of safety and vetting. However, the main focus of the year was to manage through the complications brought on by the COVID-19 pandemic. Preventing infection cases on the vessels and managing crew changes, in an environment where very few countries and only to a limited extent allowed such changes to take place, required significant planning, flexibility and attention. In 2021 KSM also secured third-party management of some of the container vessels sold during the year.

ZeroLab by Klaveness was established in 2021 to explore commercial opportunities related to the decarbonization of shipping and supply chains. ZeroLab offers products and services like emission monitoring to external clients, enables other Klaveness units to expand customer offerings and raises the competence on decarbonization across the Group through Klaveness Academy.

Klaveness Dry bulk, an operator and pool manager of around 75 vessels in the Panamax, Kamsarmax and Post-Panamax segments, continued its positive development in 2021 and delivered a record result for the year. This was largely due to positive development in all trading strategies, both physical and financial, strong earnings in the Baumarine pool and significant development in the digital offerings both externally and internally. Through the year, Klaveness Dry bulk also developed and offered new customer services related to portfolio management, market insights and GreenFreight.

Klaveness Container, an owner and manager of geared container vessels in the feeder segment, held eight vessels at the start of the year. Klaveness' strategy in the container market has been to optimize values through active management, until a higher value could be achieved through selling than holding the vessels. The charter and secondhand market for container vessels soared through 2021, and Klaveness decided to divest the business and sold and delivered all eight vessels to new owners during the year.

The Board expresses their satisfaction with the strong results and positive developments in the Group in 2021.

Health and Safety

The fleet experienced one occupational fatality in 2021, this has been investigated in full and revealed no lack of safety procedures or systems. However, several actions have been implemented fleet-wide to ensure all relevant learning from this accident. Despite the fatal accident, significant improvement in the underlying safety records has been observed. For example, Loss Time Incident Frequency (LTIF) on the combination carriers, measured by every 1 million working hours, was reduced from 3.2 hours in 2019 to 2.5 in 2020 and has further developed positively to 0.6 in 2021. This is a result of a comprehensive safety culture program referred to as 'Klaveness Always Safe and Secure' (KLASS).

The COVID-19 pandemic substantially impacted Klaveness' operations in 2021 as vessels are inherently vulnerable to infection cases onboard. Due to extensive measures taken, there were no cases onboard any vessels under KSM management in the period. The main challenge has continued to be crew changes. The administration has worked extensively with developing safe corridors for crew changes and managed to reduce extended contracts to a manageable level. However, crew changes are still very challenging, and this is expected to continue throughout the pandemic.

In 2021, there were 32 vetting inspections of the CABU and CLEANBU combination carriers. The average number of observations, per inspection, for the Ship Inspection Report Program (SIRE) in 2021 was 3.0, a reduction from an average of 5.5 in 2019. The fleet, under technical management by KSM, went through 46 Port State Controls in 2021 with zero detentions and a reduction in the PCS deficiency rate from 1.57 in 2020 to 1.09 in 2021.

The piracy risk in the Persian Gulf/Gulf of Oman eased in 2021. The threat for merchant vessels is considered moderate by *Den Norske Krigsforsikring for Skib (DNK)*. In the Eastern Mediterranean, there is still a risk of encountering migrants, but there were no such incidents in the Klaveness fleet in 2021. In both areas, 'spoofing' of GPS/communications systems is an increasing problem. When trading in these areas, Klaveness has instructed the fleet to take precautions as per recommendations from the flag state. No approaches or boarding attempts were reported for KSM vessels in 2021.

In recognizing the responsibility to resolve the crew change crisis amidst COVID-19, Klaveness has committed to supporting the Neptune Declaration on Seafarer Wellbeing and Crew Change initiative.

Sustainability

<u>Strategic</u>

Decarbonization is the main task of our generation and a central pillar in the RASTK strategy. Klaveness aims to be a shaper in the transition towards low carbon shipping through its fleet, being at the forefront of new solutions, and by working in close cooperation with customers, suppliers, and other stakeholders. Focus areas include emission reductions from the vessels, zero emissions from all operations by 2050, and the development of products and services that support customers' need to decarbonize.

The regulatory push for shipping decarbonization continued, most notably with the proposal to include CO_2 emissions from shipping in the EU emission trading scheme as of 2023. If adopted, this will

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constitute the first carbon price on shipping CO_2 emissions. With emission allowances trading at an all-time high end of 2021, the inclusion in the EU Emissions Trading Scheme (ETS) will bolster the business case for energy efficiency and alternative fuels.

Progress in the International Maritime Organization (IMO) remains slow, but 2021 produced consensus on the need to strengthen the initial greenhouse gas (GHG) strategy in 2023. Klaveness has been outspoken in support of a strategy that aligns shipping emissions with the 1.5C target in the Paris Agreement, and it is encouraging to see that the shipping industry is now rallying behind a meaningful carbon levy in the IMO. In 2021, the IMO also agreed to start rating vessels on energy efficiency as of 2024 and to require compliance with an energy efficiency index for existing ships.

The regulatory developments have spurred a greater interest in emission reduction from charterers. The Sea Cargo Charter, to which KCC/Klaveness was a founding signatory, has seen a surge of interest and counts 27 signatories by year-end, including some of the world's largest charterers that, as signatories, are required to report on shipping emissions.

In 2021, Klaveness continued to be an active contributor to the decarbonization agenda through participation in several industry forums and initiatives, including industry associations, the Sea Cargo Charter and the Global Maritime Forum's Getting to Zero Coalition, of which Klaveness played a leading role as initiator and author in supporting the 'Call to Action' presented at COP26. The Call to Action was backed by more than 200 industry leaders and organizations representing the entire maritime value chain and sent a clear message that a full decarbonization of international shipping is both urgent and achievable, and called on governments to work together with the shipping industry to deliver the policies and investments needed.

Klaveness is also actively engaged in the ongoing discussions regarding future regulatory requirements, such as Carbon Intensity Indicator (CII) and Energy Efficiency Existing Ship Index (EEXI), to best ensure that these important regulations are effective for the shipping industry.

The strategic focus on decarbonization has spurred collaboration across Klaveness; resulting in several new services currently being offered by the Group: *GreenFreight* was launched by ZeroLab and DryBulk, offering all Dry Bulk customers the option to compensate for carbon emissions with carbon insets based on biofuel. The product offering is in cooperation with GoodShipping. An *Emissions Tracker* for charterers was launched by ZeroLab and Klaveness Digital. The product is available as an add-on to CargoValue but may also be used independently. Reference is made in each business unit section for further details.

Operational

Vessel operations have an unavoidable impact on the environment. Therefore, Klaveness has clear environmental goals and policies and is taking technical and operational precautions to protect the environment as embodied in the International Safety Management Code (ISM-code) and MARPOL convention. Furthermore, the effective dry-wet combination trading pattern for the combination carriers, thereby limiting the number of ballast days, substantially reduces the environmental footprint of these vessels compared to standard dry bulk and tanker vessels. In the same trading pattern, they deliver up to a 40% reduction in CO_2 emissions for the same transport work. All CLEANBU vessels comply with the Tier III NOx reduction requirements through installation of Selective Catalytic Reduction (SCR) plants. This will reduce the NOx emissions by more than 75% compared to Tier II requirements. All vessels complied with the Sulphur cap regulation implemented by the IMO on 1st January 2020 by using compliant Low Sulphur Fuel Oil.

The KSM Project and Business Transformation team continuously evaluates technology and processes to achieve short-term goals on reducing carbon emissions. Various solutions have been evaluated and several initiatives have been rolled out on selected vessels for pilot testing, with some subsequently deployed to the full fleet and others currently in the deployment phase.

In 2022, the team will look closer into larger and more complex energy efficiency projects and examine where value could be added to other owners from Klaveness' insights and experience in these areas.

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KCC has the ambition to substantially exceed the 2030 and 2050 emission targets set by the IMO for the shipping industry. The IMO targets state that the carbon intensity of international shipping must decline by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008, and that annual GHG emissions should reduce by at least 50% by 2050 compared to 2008. KCC's targets are a carbon neutral operation within 2030 and an ambition to reach a zero-emission operation by 2050.

In addition, KCC has short-term emission reduction targets for 2022, including a reduction of 15% in absolute emissions per vessel compared to actual 2018 and a 25% reduction in carbon intensity Energy Efficiency Operational Indictor (EEOI) compared to actual 2018. This would reach IMO's 2030 carbon intensity target in 2022.

In November 2021, KCC raised USD 25 million in equity to fund energy efficiency initiatives on its existing fleet. Initiatives such as the Becker Mewis Ducts, Wartsila EnergoProFins and Shipshave ITCH have been tested and/or implemented on part of the fleet during 2021. KCC is committed to full transparency on its environmental strategy, targets, and performance and in the Sustainability Report for 2020; standards and frameworks such as GRI (Global Reporting Initiative), the GHG Protocol and TCFD (Task Force on Climate-related Disclosures) were implemented. In its first year of submitting to the CDP, KCC achieved a B score for climate change.

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

Office

To better help employees navigate changes in the commercial and regulatory environment, the company has developed a training on Decarbonization through Klaveness Academy. The course equips employees with extensive knowledge on decarbonization, both from a technical, commercial, and regulatory perspective. The Foundation training was made mandatory across the Group, while other parts of the course are mandatory for select employees depending on their roles. The program was launched in February 2021 with Klaveness' ZeroLab as its main contributor and has secured high participation rates across Klaveness with all employees completing the Foundation course.

Business areas

Klaveness Combination Carriers

Klaveness Combination Carriers ASA (KCC) is listed on the Oslo Stock Exchange and is owned 53.8% by Klaveness. KCC took delivery of three CLEANBU vessels in the first half of 2021 and sold a 20-year-old CABU vessel in fourth quarter 2021 with a profit following a year-to-date increase in second-hand values for older Panamax dry bulk vessels of about 150%. By year-end 2021, the fleet consisted of eight CABU vessels and eight CLEANBU vessels.

The CABU vessels are combination carriers that mainly transport caustic soda solution and all types of dry cargo. The CLEANBU vessels can, in addition, transport clean petroleum products, enabling a wider range of trading possibilities.

Takeover of the CLEANBU vessels, as well as operation of both the CLEANBU and the CABU vessels, were impacted by the COVID-19 pandemic in 2021 as in 2020. Specific COVID-19 related effects have been discussed in the Health and Safety section of this report. The health and safety of the crew is priority number one in this situation.

The CABU vessels were largely employed in combination trades with shipments of caustic soda for customers in the Australian and Brazilian alumina industry and dry bulk return shipments with alumina, bauxite, iron ore and coal. From August and through the remaining part of the year, one vessel was employed in the Baumarine by MaruKlav dry bulk pool. While caustic soda shipments were mainly based on contracts of affreightment, dry cargoes were partly spot and partly contract shipments. The percentage of days in main combination trades was 69 % in 2021, slightly down from 75% in 2020 mainly due to congestion in the Far East and a tight caustic soda market in Q4. Earnings for the CABU vessels were strong in 2021 and increased compared to 2020, driven by a strong dry bulk market in combination with high caustic soda contract coverage.

Following the delivery of the eighth and last CLEANBU vessel in May 2021, the full CLEANBU fleet was in operation from the third quarter of 2021. CLEANBU earnings continued to be strong throughout 2021 mainly due to a strong dry bulk market and more combination trading in second half of 2021, although down from a record high 2020 driven by historically strong product tanker markets. The primary focus for 2021 was to expand the commercial platform and employ the vessels in efficient combination trades. The number of trades, terminals, cargoes, and customers have increased through 2021 and in August 2021, KCC reached a milestone when signing a new contract of affreightment for its CLEANBU fleet with a major international charterer in the tanker market.

Klaveness Digital

Klaveness Digital is a digital technology business with 34 employees at year-end of 2021. Klaveness Digital's flagship product, CargoValue, is a Software as a Service (SaaS) solution that provides its customers with a 'digital twin' of their maritime supply chains. The solution improves supply chain management by delivering real-time visibility, improving transparency, and fostering collaboration between stakeholders involved in the planning, scheduling, and production processes of supply chains.

During 2021, Klaveness Digital doubled its Annual Recurring Revenues (ARR), increasing its CargoValue revenue by 36 % on 2020, and experienced a surge in customer growth and market interest for CargoValue in its already established markets of the metals and mining, aluminium, agricultural, and energy industries. Gaining momentum, the company also expanded into new industry verticals and acquired its first customers in the cement, pulp & paper, and fertilizer industries. An accelerated interest in digitalization tools amidst the era of distributed workforces somewhat supported this, as well as increased market awareness, media coverage, and public testimonials from existing customers of the product.

On product development, 2021 was also a year of significant development and saw the introduction of several new upgrades to CargoValue to help customers model different scenarios in their supply chain as well as more detailed berth level planning and inventory management improvements. Additionally, meeting the call to action for decarbonization solutions, a collaboration with the team at ZeroLab saw the introduction an emissions monitoring solution into the platform in November.

With the increasing popularity of its main product, Klaveness Digital initiated a rebranding project for the tool in Q4 with an expectation to be completed in early 2022. Recruitment efforts are continuously ongoing to further strengthen the product development and commercial teams and to meet CargoValue's overall ambition of becoming the most intuitive and user-friendly solution on the market for managing ocean-based transportation and inventory.

Klaveness Dry Bulk

Klaveness is an operator and pool manager in the dry bulk industry and operates a fleet of around 75 vessels in the Panamax, Kamsarmax and Post-Panamax segments. The operator business consists of a portfolio of cargo contracts of affreightment, time-chartered period vessels, and freight and fuel derivatives; delivering safe and competitive transportation and enabling cargo owners to maximize their value chain. The pool business aims to deliver service offerings that enable vessel owners to take control in optimizing their own earnings and give them greater flexibility.

In January 2020, Klaveness entered a strategic joint venture with Marubeni to jointly manage the Baumarine pool, a venture that included the participation of 11 Marubeni owned vessels in the pool. In March 2021, an agreement was made to expand the joint services through offering pool participants the option to convert freely between floating and fixed rate at any given time, in line with forward market

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levels. The product allows owners to take control of their market exposure in utilizing peaks to lock-in fixed earnings at preset target levels.

In addition to being an operator and pool manager, Klaveness Dry Bulk aims to become a market manager through a range of services including TC-in partnerships, portfolio management, bunkers, and research services. During 2021, the business unit experienced good interest for several of these services and has entered into contracts with its first customers. Furthermore, with the establishment of *GreenFreight*, Dry Bulk customers are offered the option to compensate for carbon emissions with carbon insets based on biofuel.

At year-end, the business unit consists of 42 employees located in Oslo, Singapore, Dubai, and Manila.

ZeroLab by Klaveness

Established in 2021, ZeroLab is the youngest explorer among the Klaveness companies and is dedicated to the decarbonization of seaborne supply chains. ZeroLab was established to enable Klaveness to leverage the decarbonization mega-trend for shipping as a business opportunity. ZeroLab's strategy is to develop solutions that help cargo owners address Scope 3 emissions from shipping. The mission is to offer new external products and/or services related to decarbonization, enable the other business units to expand customer offerings and to raise competence on decarbonization across the Group.

On product development, ZeroLab has cooperated extensively with other Klaveness units. Together with Klaveness Digital, emissions monitoring was launched as a feature in CargoValue and also made available as a service for customers not currently using CargoValue. The product has secured commercial traction from new and existing customers of both Klaveness Digital and Klaveness' chartering services. Together with Klaveness Chartering and in cooperation with biofuel inset provider GoodShipping, ZeroLab launched a GreenFreight service towards cargo owners. To support the development of the GreenFreight service, ZeroLab joined a working group on multimodal freight transportation insetting, organized by the Smart Freight Centre. Alongside other major logistic providers the aim of the project is to define insetting principles upon which new products can be developed.

ZeroLab has throughout the year prioritized building a credible and respected voice on shipping decarbonization. This has included participation in several events and the production of insight pieces for publication. ZeroLab also developed and launched Klaveness Academy on Decarbonization, which continues into 2022.

At year-end 2021, the business unit consists of 5 employees.

Klaveness Container

Klaveness Container AS (KCA) has owned and operated geared container vessels in the feeder segment. The company held eight vessels at the start of the year.

The charter market for container vessels soared through 2021 on the back of steep increases in cargo volumes and severe logistical disruptions. Period lengths for charter fixtures, which averaged under 6 months across the previous decade, reached 27 months by mid-2021. As a result, second-hand prices followed suit to set new records.

Klaveness' strategy in the container market has been to optimize values through active management, until a higher value can be achieved through selling than holding the vessels. All eight vessels were sold in 2021, with one vessel sold in January, one in February, two in March and the remaining four in July. At the end of the year, all the container vessels had been delivered to new owners, leading to a strong, positive EBT for this business area.

In June, KCA purchased 3 % of the shares in BB Octopus DIS, a Norwegian company owning an anchor handling tug supply (AHTS) vessel "BB Octopus", operated by marine service provider Buksér & Berging.

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Organization

Klaveness had a total of 188 employees located in Oslo, Singapore, Dubai, and Manila at year-end 2021. All employees were employed in regional Klaveness offices. Women represented 42% of the workforce in all offices, and 32% in the Oslo. In 2021, one of four managers in Klaveness were female on a global basis.

Klaveness is built on talented and dedicated employees. All employment-related decisions are based upon relevant qualifications, merit, performance, and other job-related factors. Klaveness ensures equal rights for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability, or social status.

Over time, Klaveness wants to achieve a higher proportion of women in the organization, both in general and in leading positions. When recruiting new employees in Klaveness, the aim is to have both genders represented in the final interviews. Salary and working conditions are linked to experience, seniority, and positions regardless of gender. Part-time jobs are not common in Klaveness.

Absence due to sick leave was satisfactory, averaging 1.42% for the Group in 2021. Working conditions for employees are good. COVID-19 and consequent measures have put additional pressure on all employees again in 2021 and on-shore personnel in all offices worked from home offices for substantial parts of the year. All employees have received necessary equipment to work from home, and the organization has successfully implemented new ways of interacting digitally. Klaveness has emphasized active, present leadership in this period to identify and address any detrimental effects on mental health due to extensive remote work.

856 seafarers are employed through manning offices in The Philippines (80%), Romania (17%) and South Africa (3%). The retention rate for 2021 was stable at 92%, indicating that Klaveness is successful in attracting and retaining qualified seafarers.

The company holds a Directors & Officers (D&O) liability insurance.

The Board of Directors expresses its appreciation of the work done by all the employees during 2021. Specifically, the Board of Directors wishes to thank all the employees for the extraordinary efforts and sacrifices made due to the COVID-19 pandemic, especially the crews that were subject to long contract extensions.

On November 29, 2021, it was announced that Klaveness' President and CEO Lasse Kristoffersen, who has pioneered the company's transformation since 2011, has decided to depart the company. Under Kristoffersen's leadership, Klaveness was steered into a new era of strategic growth fueled by passionate digitalization and decarbonization ambitions. Kristoffersen has created a robust organization built on diversifying the product and service portfolio, restructuring Klaveness' business units, and creating a strong company culture built on a clear vision and values. The Board expresses its gratitude to Kristoffersen for his contributions to the company over the past decade. On January 14, 2022, Ernst Meyer, currently Chief Operating Officer and Managing Director of Klaveness Ship Management AS, was announced as the new President and CEO of Klaveness, commencing on April 1, 2022. Meyer holds a Master of Science in Naval Architecture and Marine Engineering from the Norwegian University of Science and Technology, and prior to joining Klaveness in 2019, he spent close to 20 years with Det Norske Veritas (DNV) in various executive positions.

Financial results

Gross revenue from operation of vessels was USD 519.9 million (2020: USD 308.9 million), while net revenue from operation of vessels amounted to USD 139.1 million (2020: USD 114.7 million). Revenues were positively impacted by a strong dry bulk market in the second half of 2021 and an increase in the number of trading CLEANBU vessels.

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Net revenue from the Dry Bulk portfolio of physical and financial freight agreements ended at USD 38.8 million compared to USD 8.0 million in 2020, on the back of the strong dry bulk market.

Revenues from Klaveness Digital amounted to USD 1.5 million, compared to USD 1.3 million in 2020.

For the Group in total, 2021 resulted in total operating revenue of USD 212.9 million (2020: 128.4 million), whereof USD 28.0 million is gain relating to sales of the container fleet and MV Banasol.

EBITDA ended at USD 109.2 million (2020: USD 44.8 million). Vessel operating expenses increased by USD 5.2 million compared to 2020, mainly due to the increased number of owned vessels, as well as some additional costs related to the COVID-19 pandemic.

2021 EBIT amounted to USD 117.0 million compared to USD 16.9 million in 2020. Ordinary depreciation increased by USD 6.6 million mainly due to the CLEANBU fleet growth and increased depreciation of CargoValue development costs. A reversal of impairment charge of USD 41.3 million for the container fleet was also recognized as vessel values improved ahead of the sales.

The net result from financial items was in total negative by USD 16.8 million (2020: negative USD 16.8 million) mainly driven by an increase in debt and unrealized loss on financial instruments.

The Group earned a profit before tax (EBT) of USD 100.1 million (2020: USD 0.1 million) while net income after taxes was 100.3 MUSD (2020: 0.0 MUSD).

Financial position

At year-end 2021, consolidated equity including minority interests was USD 412.3 million (2020: USD 321.6 million), corresponding to a book equity ratio of 47 % (2020: 43 %). Book equity excluding minority interests was USD 287.3 million (2020: USD 216.6 million). Interest bearing debt decreased from USD 367.1 million at year-end 2020 to USD 355.8 million at year-end 2021 following the sale of the container fleet. Cash and bank deposits were USD 203.6 million at year-end 2021 (2020: USD 98.7 million) and in addition Klaveness had available revolving credit and overdraft facilities of USD 55 million (2020: USD 25.7 million). The changes in the balance sheet and the equity ratio were mainly a result of delivery of three vessels, sale of the container fleet and one CABU vessel, including draw down on mortgage debt.

Cash flow

During 2021, Klaveness had a cash flow from operating activities of USD 64.5 million (2020: USD 4.1 million). The operating cash flow was positively impacted by the increased operating profit before depreciation and impairment (EBITDA) (USD 109.2 million) and partly offset by net financial costs of USD 16.8 million, reversal of impairment (USD 41.2 million), decreased prepayments to clearing of derivatives of USD 13.7 million and a gain from realization of vessels (USD 28 million).

The net cash flow from investing activities was positive by USD 59.8 million (2020: negative USD 95.4 million), mainly consisting of USD 119.1 million in payments for vessels under construction and costs associated with the scheduled docking of vessels and USD 183.8 million in received payment from the sale of eight container vessels and one CABU vessel.

The cash flow from financing activities was negative by USD 19.4 million (2020: positive USD 100.1 million) whereof the main items were dividends to owners and minority interests of USD 16.2 million, capital injections from minorities of USD 11.0 million and a net decrease of mortgage debt of USD 11.5 million.

Financing and going concern

Torvald Klaveness

Several 364-days overdraft facilities were renewed in 2021. The revolving credit facility for Klaveness Container, which was drawn by USD 49.9 million at year-end 2020, was repaid in 2021 following the sale of the entire container fleet. KCC refinanced in 2021, with the existing banks, a bank facility with maturity in March 2022.

No debt facilities fall due in 2022, except for the 364-days overdraft facilities which are extended once a year. For Dry bulk, both AS Klaveness Chartering and Baumarine AS will renew their overdraft facilities in Q1. Per year-end 2021, the former has agreed upon main terms, and total commitment will be increased from USD 10m to USD 15m. Baumarine AS' facility is expected to be renewed at the current amount of USD 12m.

In November 2021 KCC raised approximately USD 25 million in equity to fund energy efficiency measures.

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

Subsequent events

Klaveness has received the news of the Russian invasion of Ukraine with shock and sadness. To ensure the safety and security of our personnel, minimize business risk and to align with the intentions of the sanctions currently being imposed against Russia and Belarus, Klaveness has concluded to not conduct any business with companies owned or controlled by Russian or Belarusian interests. Further, we have exempted *all* Russian ports from our allowed trading areas, in addition to the war zone in the Black Sea. At the time of the war outbreak, Klaveness did not have any exposure in the impacted areas.

The markets

Dry bulk

Dry bulk freight rebounded strongly in 2021 and delivered the highest earnings since 2008. Capesize freight rates averaged 33.3 KUSD/day during 2021 (+20.5 KUSD/day year on year ("YoY"), Panamax freight rates averaged 26.7 KUSD/day (+16.8K) and Supramax freight rates averaged 26.6 KUSD/day (+18.4K). According to *Clarksons*, the value of a second-hand dry bulk vessel increased by 71% YoY, while the newbuild prices increased by 30% YoY.

Global dry bulk demand growth accelerated from +2.1% in 2020 to +4.9% in 2021 (source: Klaveness Research).

The nominal growth in the dry bulk fleet decreased from 3.9% in 2020 to 3.5% in 2020.

Product tanker

2021 was an overall weak year for product tankers. The 2021 average TC5 TCE ended at around $6,200/day, down from $19,400/day in 2020[1]. Product tanker demand increased by 8 %[2] from 2020 to 2021 but is still well below 2019 and 2018 levels. Hence over-capacity in the product tanker market persisted. Product tanker earnings were as well negatively impacted by increased competition from crude tanker newbuilds lifting CPP cargos in response to the low rates for crude tankers and destocking of oil inventories.

[1] LR1 Middle East to Japan as reported by Baltic Exchange
[2] Clarksons Shipping Intelligence Network

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Consumption increased quarter-over-quarter during the year as travel restrictions in Europe and US were relaxed into the summer and autumn and oil consumption in 2021 is estimated to be around 97.5mn bbl/day, while the consumption increased to around 101.6mn bbl/day at the end of 2021.

Container

Rates in the feeder container ship market strengthened through the second half of 2020, as pent-up demand and inventory restocking led to a rapid return in cargo volumes. Through 2021, the charter market for feeders went into overdrive with another 300% rise from already high levels. For vessels of 2 500 TEU, the short-term period market peaked at rates above USD 70 000 per day, before receding somewhat towards the end of the year. Three-year charters became a norm and rates for these peaked at about USD 35 000 in the autumn.

Asset prices for container vessels continued to rise sharply through 2021, backed by the availability of longer charter durations. The container fleet growth appears moderate in the near term, with capacity projected to grow by 4% in 2021 and the same next year. However, more than 500 newbuildings were ordered through the year, taking the orderbook from 10% to 23% of the existing fleet.

Overall, seaborne box trade grew by about 7% in 2021, with further expansion projected in 2022, supported by global economic improvements, though complexities in the outlook remain including the tapering of stimulus measures, the spread of the Omicron variant, and potentially 'normalizing' services spending.

Risk and risk management

Klaveness' businesses are exposed to risks in many areas. Risk assessment, monitoring and implementation of mitigating actions are a part of both daily activities and quarterly reviews in each business area. It is important to the Board of Directors that the right risk/reward assessments are made, the overall risk undertaken is within acceptable ranges, 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 of Directors. The mandates for the chartering and trading activity are regularly tested against extreme market scenarios to ensure a high probability that capital and liquidity are sufficient to cover potential losses. Most of the fuel price risk is hedged through bunker adjustment factor clauses (BAFs) and fuel derivatives. The dry bulk market exposure is managed by combining COAs with TC-in contracts and freight forward agreements (FFA), maintaining the total financial exposure within risk limits approved by the Board of Directors.

Commercial risk

Klaveness is exposed to commercial risks, particularly on customer acceptance of the fleet of combination carriers. Klaveness makes extensive efforts to secure vetting and TMSA acceptance of existing vessels and works closely with customers to document that new vessel concepts meet all customer requirements including requirements of the ports and terminals where the vessels are trading.

Moreover, there are risks associated with increased competition. These risks are reduced through strong operational performance with high attention to safety and continuous development of rendered services.

Financial risks

Klaveness has administrative costs in NOK, SGD an PHP, part of the crew costs in EUR and port costs in several other currencies, while principally all income is USD-denominated. To reduce currency risk,

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Klaveness has sold USD currency forward with maturity in 2022 and 2023. Interest rate exposure is hedged through derivatives and open exposures are limited.

The main event influencing financial risks in 2021 was the sale of the container fleet. This sale led to a large increase in free liquidity in the company, with the Group now being practically free of debt except for financing within KCC. There were no other major unforeseen events of a financial nature during 2021. The liquidity risk of Klaveness is considered low. Current cash, available undrawn credit and projected operating cash flow are considered sufficient to cover Klaveness' commitments.

Operational risks

Operational risks in the shipping and trading activities are managed through formal and certified safety and quality management, control processes as well as training of seafarers and land-based employees. All employees attend in-house training to ensure compliance with applicable legislation and the Klaveness Code of Conduct. The organization is continuously working to learn from incidents and accidents through a formalized improvement reporting system and developing procedures and training accordingly.

The COVID-19 pandemic imposed a whole new set of operational risks on Klaveness in 2020. Substantial measures on testing, quarantine, and vessel access were implemented. More than 100 positive cases have been detected prior to mobilization and 2021 was delivered without any positive cases onboard. Klaveness reached a high degree of vaccination among seafarers and started to ease the isolation requirements for the vaccinated, but the full plan was reintroduced with the spread of the omicron variant. Compared to the situation in 2020, the pandemic risk has changed from being a health and safety risk to crew to primarily becoming a commercial risk to the vessels, in particular in Asia where vessels can expect long off-hire periods if COVID is detected onboard.

The vessels also sail in waters exposed to piracy and all vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks based on advice and intelligence from *Den Norske Krigsforsikring for Skib*. There were no piracy attacks on Klaveness vessels in 2021.

Digital risks

The number of cyber-attacks is increasing, and such attacks might disrupt Klaveness' business operations. To mitigate this threat, employees are trained to increase awareness and the Klaveness continuously works to assess security and ensure compliance with IMO Maritime Security Regulations. Furthermore, technical upgrades and penetration tests have been carried out in 2021 to protect the IT infrastructure both in the offices and onboard the vessels. Klaveness has also subscribed to services from NORMA, an organization providing intelligence to manage cyber threats.

Klaveness Digital manages data for multiple customers through the CargoValue application and K-Platform. The operational risk associated with cyber security is managed and documented in the Klaveness Digital Security & Risk Governance program, together with a Disaster Recovery Plan and Cyber Incident Response Plan. Contractual frameworks such as Data Processing Agreements, Terms and Conditions and Service Level Agreements are also in place for all customers of CargoValue and K-Platform.

Klaveness Digital is focused on defining new and refining existing risk control measures. The Klaveness Digital solutions are protected by one of the world's most advanced security infrastructures, powered by the Microsoft Azure Platform. The security framework and cyber security policies are based on the Center for Internet Security (CIS) and National Institute of Standards and Technology (NIST) frameworks and Klaveness Digital's practices are aligned with the best practice guidelines documented by Open Web Application Security Project (OWASP).

Environmental risks

Environmental laws and regulations often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject Klaveness to liability without regard to whether the

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Group was negligent or at fault. Additionally, Klaveness cannot predict the cost of compliance with any new environmental protection and other laws and regulations that may become effective in the future. Quality and risk management is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the utmost regard for the safety of employees, the public and the environment, in accordance with sound business practice and in compliance with environmental regulations.

As highlighted earlier in the report, all employees of Klaveness go through training in Decarbonization by Klaveness Academy. This is to better help employees navigate changes in the commercial and regulatory environment, and to equip employees with more detailed extensive knowledge on decarbonization in general and what it means at Klaveness.

Regulatory risks

Changes in the political, legislative, fiscal and/or other regulatory framework governing the activities of Klaveness may have material impact on its business. To limit this exposure, procedures have been implemented and are continuously updated to comply with all applicable legislation, and all counterparties go through due diligence assessments.

Outlook

Dry Bulk

Klaveness Research expects dry bulk freight rates to remain at an elevated level in 2022 as nominal fleet growth moderates further and as demand growth remains resilient. However, pinpointing the correct freight level is challenging due to geo-political uncertainty and post-covid effects.

Commodity prices are surging to all-time-high levels highlighting that demand for commodities greatly exceeds the supply of commodities. We expect the growth rates in seaborne dry bulk volumes to be lower than the historical average of about 4.3% in 2022. However, we do expect trade growth to exceed the nominal fleet growth of about 2.1%.

The iron ore trade constituted about 34% of dry bulk demand in 2021. At the time of writing the most active iron ore contract is trading far above the landed cost of iron ore produced by miners at the very top end of the cost curve. We expect an increase in the long-distance Brazilian iron ore export, which combined with minor expansions elsewhere should be enough to bring the growth rates in the seaborne iron ore trades higher than the nominal fleet growth.

The total coal trade had a 22% market share in total dry bulk demand in 2021. As with iron ore prices the thermal coal and coking coal prices are above the marginal cost of seaborne exporters who are incentivized to export as much as possible. The global trade routes for coal are likely to be impacted heavily by the ongoing Russian invasion of Ukraine. It is likely that existing buyers of Russian coal such as the EU will reduce their purchases while other countries will ramp up their purchases due to a persisting global shortage of energy.

The total grain trade represented 17% of the total dry bulk demand in 2021. Grain prices are at all-time high levels as an already tight market has become even tighter due to the ongoing Russian invasion of Ukraine. Grain export from the Black Sea region represented 17.5% of grain derived vessel demand in 2021 and 2.2% of total drybulk demand. Thus, the effect from a prolonged stop in Black Sea grain exports from Ukraine and Russia is substantial. This will partly be offset by increased exports in other regions and the average distance is likely to increase. A key uncertainty in 2022 is to what extent and for how long the Black Sea grain export will be curtailed.

The total minor bulk and bauxite trade accounted for 27% of total dry bulk demand in 2021. The demand for minor bulks is likely to remain supported by a continued recovery in global industrial production and by a persistent strength in container rates leading to a influx of cargo that normally would be containerized. The global trade of Bauxite is highly likely to continue to grow as Chinese interests are expanding production in Guinea to meet the demand from Alumina refineries within China.

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We expect the nominal dry bulk fleet growth in 2022 to be 2.1%, which would be the lowest in at least 23 years.

To summarize we believe 2022 will be another good year for drybulk as it will not take much demand growth to meet or exceed the supply growth.

Product tankers

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

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

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

Digital

The market for digital supply chain management solutions is expected to continue growing significantly in the years to come. In 2022, industrial companies moving bulk cargoes at sea will likely continue to move their supply chain management onto digital platforms and use these to find new and better ways to reduce costs and improve the nature of their supply chains. There will also be an increased need among industrial companies for new solutions and services for managing supply chains, to ensure that they are predictable, transparent, dynamic and can withstand external disruptions. This is in part due to the natural transition from manual solutions into a more advanced digital landscape as already observed, but also due to COVID-19 introducing remote work as the norm and a need for companies to embrace solutions capable of helping to maintain resilient and responsive supply chains. There is also an increasing interest in monitoring and benchmarking Scope 3 emissions, and this is expected to continue growing rapidly in the coming years and represent a clear business opportunity.

Decarbonization

Decarbonization remained the number one topic on the regulatory agenda for shipping in 2021, and voluntary initiatives to report on Scope 3 emissions such as the Sea Cargo Charter (SCC) gained traction. In the IMO, progress on market-based measures to reduce emissions from shipping remain unsatisfactory. Furthermore, the adoption of 'Annual Efficiency Ratio' (AER) as a calculation method for CO2 intensity in shipping will highlight the role of charterers in reducing emissions but does not adequately recognize the emission benefits of reduced ballasting.

In the EU, a proposal to include GHG emissions from shipping in the EU emission trading scheme was tabled. Agreement is expected in 2022 and if adopted, the legislation will likely impact freight rates from 2023 onwards. Another proposal on phase-in of alternative fuels in shipping will also conclude in 2022 and could increase demand for biofuel until other low-and zero-emission fuels become readily available. These developments support the long-term demand for monitoring, reporting and reduction of carbon emissions from seaborne supply chains, manifested in cargo owners paying increased attention to Scope 3 shipping emissions

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The parent company

Rederiaksjeselskapet Torvald Klaveness' registered business address is Drammensveien 260, 0283 Oslo, Norway. The result for the parent company was a profit after tax of USD 28.7 million for 2021 (2020: USD 4.3 million). The proposed transfer of the profit for the parent company is shown below:

Transfer to other equity:	USD 24.2 million
Dividend:	USD 4.5 million

Oslo, 25 March 2022

Trond Harald Klaveness

Chair

Christian Rynning-Tønnesen

Board member

Jan Tellef Thorleifsson

Board member

Lasse Kristoffersen

Chief Executive Officer

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December (USD '000)		2021	2020
Gross revenues from operation of vessels	Note 5	519 899	308 922
Voyage related expenses and distribution of pool result	Note 6	(380 775)	(194 269)
Net revenue from operation of vessels		139 124	114 653
Net income/(loss) from physical and financial freight agreements	Note 7	38 754	8 006
Gain on sale of vessels	Note 11, 33	27 959	-
Other operating revenue		5 133	5 722
Other income	Note 3	1 954	-
Total operating revenues and other income		**212 925**	**128 380**
Operation of vessels	Note 6	(57 434)	(52 181)
Salaries and social expenses	Note 8, 9	(34 603)	(21 326)
Other operating and administrative expenses	Note 10	(11 662)	(10 037)
Operating expenses		**(103 699)**	**(83 544)**
Operating profit/(loss) before depreciation and impairment		**109 226**	**44 836**
Depreciation fixed assets	Note 11	(33 513)	(26 940)
Impairment/reversal of impairment fixed assets	Note 11, 12	41 253	(975)
Depreciation and impairment of fixed assets		**7 740**	**(27 914)**
Operating profit/(loss)		**116 967**	**16 921**
Income/(loss) from associated companies	Note 3, 13	31	(7)
Net interest income/(expenses)	Note 14	(15 603)	(14 556)
Other financial income/(loss)	Note 15	(3 720)	(3 665)
Net currency gain/(loss)		2 445	1 401
Financial income and expenses		**(16 847)**	**(16 827)**
Profit/(loss) before taxes		**100 120**	**94**
Taxes	Note 16	206	(65)
Profit/(loss) for the year		**100 326**	**29**

Attributable to:

Majority interest	88 321	(6 078)
Minority interest	12 005	6 107
Profit/(loss) for the year	**100 326**	**29**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2021	2020
ASSETS			
Fixed assets			
Deferred tax asset	Note 16	6 897	6 578
Other intangible assets	Note 11	4 432	3 308
Total intangible fixed assets		**11 329**	**9 886**
Vessels	Note 11	536 192	512 084
Newbuilding contracts	Note 12	-	48 091
Other tangible assets	Note 11	4 244	4 234
Total tangible fixed assets		**540 436**	**564 409**
Investments in associated companies	Note 13	84	65
Other long-term receivables		323	440
Total financial fixed assets		**407**	**505**
Total fixed assets		**552 173**	**574 799**
Current assets			
Bunkers on board vessels	Note 17	35 428	20 331
Accounts receivable	Note 18	30 921	21 124
Prepaid expenses	Note 19	29 931	15 140
Other short-term receivables	Note 20	24 051	21 687
Derivatives		15	1 024
Cash and bank deposits	Note 21	203 609	98 696
Total current assets		**323 955**	**178 002**
Total assets		**876 128**	**752 802**

CONSOLIDATED BALANCE SHEET

As at 31 December (USD '000)		2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital (10 000 shares of NOK 5 099,82)		8 154	8 154
Other paid-in equity		49 052	49 052
Total paid-in capital		**57 206**	**57 206**
Other equity		230 117	159 405
Total equity before minority interests	Note 22	**287 323**	**216 611**
Minority interests		125 007	105 022
Total equity including minority interests	Note 22	**412 329**	**321 633**
Long-term liabilities			
Pension liabilities	Note 8	807	739
Total provisions		**807**	**739**
Mortgage debt	Note 23	250 183	206 813
Long-term bond loan	Note 24	75 319	75 179
Other long-term interest-bearing liabilities	Note 25, 32	3 717	11 322
Total long-term interest-bearing liabilities		**329 219**	**293 314**
Total long-term liabilities		**330 026**	**294 053**
Current liabilities			
Accounts payable	Note 26	29 764	13 260
Accrued expenses	Note 27	26 683	15 195
Taxes payable	Note 16	390	310
Provision dividends	Note 22	4 527	-
Short-term interest-bearing debt	Note 28	26 546	73 739
Derivatives		24	-
Other short-term liabilities	Note 29	45 839	34 612
Total current liabilities		**133 773**	**137 117**
Total liabilities		**463 798**	**431 169**
Total equity and liabilities		**876 128**	**752 802**

Oslo, 25 March 2022

Trond Harald Klaveness
Chair

Christian Rynning-Tønnesen
Board member

Jan Tellef Thorleifsson
Board member

Lasse Kristoffersen

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December (USD '000)	2021	2020
Cash flow from operating activities		
Net profit / loss (-) before tax	100 120	94
Taxes paid	(390)	(303)
Depreciation, impairment and reversal of impairment	(7 740)	27 914
Loss / gain (-) from realisation of vessels and other fixed assets	(27 959)	-
Loss / gain (-) from associated companies	(31)	7
Unrealized loss / gain (-) on financial instruments	426	2 144
Amortization of upfront fees bank and bond loans	1 026	878
Other non-cash items	24	(18 372)
Decrease / increase(+) provision for loss	320	(4 293)
Decrease / increase (-) in prepayment to clearing of derivatives	(13 675)	534
Decrease / increase (-) in current assets	(27 723)	6 812
Increase / decrease (-) in current liabilities	40 008	(11 444)
Change in pension liabilities	68	96
Net cash flow from operating activities (1)	**64 474**	**4 067**
Cash flow from investing activities		
Investments in vessels and newbuilding contracts	(105 322)	(89 443)
Docking and other investments in vessels	(13 782)	(4 293)
Payment received from disposal vessels	183 788	-
Investments in other assets	(4 970)	(1 473)
Decrease / increase (-) in other long-term receivables	117	(211)
Net cash flow from investing activities (2)	**59 831**	**(95 420)**
Cash flow from financing activities		
Proceeds from mortgage debt	174 000	82 450
Installment repayments	(185 475)	(17 367)
Proceeds from bond loan (KCC04)	-	76 390
Repayment of bond loan	-	(34 100)
Premium payment financial instruments	-	(3 101)
Transaction costs on issuance of loans	(1 944)	(1 914)
Transactions costs capital injections in subsidiaries	(879)	-
Capital reduction to minority interest	(1 195)	-
Capital injection from minority interest	11 040	-
Dividends to owners	(11 679)	-
Dividend to minority interests	(3 328)	(2 218)
Currency effects	68	(78)
Net cash flow from financing activities (3)	**(19 392)**	**100 062**
Net increase / decrease (-) in cash (1+2+3)	**104 913**	**8 708**
Cash and cash equivalents at January 1	98 696	89 988
Cash and cash equivalents at December 31	203 609	98 696
Net increase / decrease (-) in cash	**104 913**	**8 708**

Specification of cash and cash equivalents:		
Cash and bank deposits	203 609	98 696
Cash and cash equivalents at 31 December	**203 609**	**98 696**

NOTE 1: ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). The most significant accounting principles are described below.

Basis of consolidation
The consolidated financial statements include the parent company Rederiaksjeselskapet Torvald Klaveness, and all its subsidiaries. Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Controlling interest is normally gained when such company owns, directly or indirectly, more than 50 per cent of the shares in the company and/or is capable of exercising actual control over the company. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests equal the share of profit/loss and net assets in the subsidiaries held by owners external to the Group. Minority interests are presented in the income statement and in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

The financial statements of all subsidiaries are prepared for the same reporting period as the parent company. Where accounting principles of subsidiaries are different from the principles of the Group, figures are restated in order to be in line with Group accounting principles. All intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transferred assets are impaired.

Discontinued operation
The Group's container vessels were sold and delivered to their new owners during 2021. Discontinued operations are presented as part of the total operating activities for the whole years 2020 and 2021. The total results from discontinued operations are presented in note 33.

Business combinations and goodwill
Acquisition of subsidiaries is accounted for using the purchase method. Under the purchase method of accounting the cost of the business combination is allocated to the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net of identifiable assets acquired and liabilities assumed. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in an associated company is included under the investment in associated companies. For valuation, refer to the principle concerning the valuation of intangible assets.

For business combinations that occur in stages by successive share purchases, the fair value of the acquired entity's assets and liabilities, including goodwill, are measured on the date that control is obtained. If the value of previously held shares has increased at the control date, the increase constitutes an added value or goodwill that is booked directly in equity. If the value of previously held shares has decreased, this is accounted for as impairment. Only goodwill for the majority is recognized in the financial statements.

Classification of assets and liabilities
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. Assets intended for permanent ownership or use and receivables with maturities exceeding one year from the balance sheet date are presented as fixed assets. 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 liabilities in the balance sheet.

Valuation of tangible assets and liabilities
Non-financial fixed assets are stated at historical cost, less subsequent depreciation and impairment.

Tangible assets with a limited useful life are depreciated according to a depreciation schedule based on best estimates of expected useful life and taking into account each asset's wear, tear and age. The useful life of a vessel is normally set to 25 years. Tangible assets are impaired when the carrying value of the asset exceeds the recoverable amount, and it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Each vessel/ newbuilding contract is considered as one identifiable cash flow, except from the CABU and CLEANBU vessels, where the whole fleet is considered one cash generating unit.

Newbuilding contracts (vessels under construction) are capitalized in line with the payments to the yard. In addition to contractual payments, inspection costs, interest expenses and other expenses during the construction period are capitalized. To the extent vessels under construction are financed through equity until delivery, interest on such funding is neither computed nor capitalized.

Current assets are valued at the lower of cost and net realizable value. Accounts receivable are related to operations and consist of trade receivables, other short-term receivables and prepayments. For valuation of receivables, see section "Receivables".

Loans are recognized at cost (the fair value of the consideration received) net of transaction costs associated with borrowing.

Accounts payable are liabilities related to operations (trade creditors, unpaid public taxes and charges, vacation pay etc.) and other short-term payables. All these items represent interest free liabilities.

In accordance with the Norwegian Accounting Act, some items are valued according to special valuation rules. A more detailed presentation of these is provided under each principle below.

Valuation of intangible assets and liabilities

Intangible assets with a limited useful life are depreciated according to a depreciation schedule which has been determined based on best estimates of expected useful life. Intangible assets are written down to the recoverable amount if it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset given that the asset is to be held by current owner under current conditions.

Estimates and assumptions

Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures will generally differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis. The Group uses estimates and assumptions in connection with the calculation of pension liabilities, the determination of accruals for contract losses and for losses on receivables, the calculation of risks related to contract fulfillment and the determination of fair market value for the purpose of assessing added values as well as impairment of assets.

Revenue recognition

The Group generates most of its revenues from shipping activities.

Gross revenues from operation of vessels comprise both gross voyage revenues from the pools operated by the Group, income from vessels owned by the Group and earnings from vessels on time charter-in contracts. Vessels owned by the Group are either operated under time charter contracts or performing contracts of affreightment. The time charter contracts are both with third parties and with pools.

Income from vessels
The Group recognizes voyage revenues and expenses on a pro rata basis over the estimated length of each voyage, discharge-to-discharge. At the time of discharge, management normally knows the next load port and expected discharge port, so that the discharge-to-discharge calculation of voyage revenues and expenses can be estimated with a reasonable degree of accuracy. For vessels without contracts in place at discharge, no revenue is recognized until a new contract is entered into. Voyage related expenses incurred for vessels in idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognized over the time when the services are performed. Demurrage and dispatch are taken into account if it is probable that a claim will occur.

Pool income
The pools in the Group generate their results by operating pool vessels in the market, as well as by conducting market operations. Market operations comprise contracts of affreightment, time charters, and forward freight agreements. Forward freight agreements are used to hedge a portion of the spot days in the pools, refer to the principle concerning hedging below.

For vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool participant on a time charter equivalent basis in accordance with an agreed-upon formula, such that the net result of the pools, less service revenues, is zero. Total revenues, expenses, assets and liabilities of the pools operated by the Group are included line by line in the consolidated financial statement.

Other income
Gains and losses arising from sales of tangible assets are presented as part of the operating profit or loss.

Other income is recognized when it is earned (the earned income principle).

Financial investments
Subsidiaries as defined above are consolidated in the Group accounts on a 100 per cent basis. Joint ventures are companies whose activities represent an integrated part of the Group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the Group's ownership share is between 20 per cent and 50 per cent. These investments are accounted for in the Group accounts according to the proportionate consolidation method. Associated companies are defined as entities in which the Group has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 per cent of the voting rights in the entity. Investments in associated companies are recognized in the Group accounts according to the equity method. Other long-term investments are stated according to the cost method. Short term investments are valued at the lower of cost or fair market value.

In the parent company accounts, all long-term investments are stated according to the cost method, while short-term investments are valued at the lower of cost or fair market value.

Investments in financial current assets
Financial current assets, listed shares and bonds included in a trading portfolio and traded on a regular basis, are recorded at market value. Short-term liquid investments defined as cash equivalents are financial instruments that can be converted at any time into a known amount of cash and have a maximum maturity of three months.

Periodic maintenance
The cost of periodic maintenance and docking of vessels is capitalized and depreciated over the period until the next docking, normally 30 months. Correspondingly, a part of the cost price of vessels acquired is separated for depreciation purposes and capitalized as docking. Expenses for current maintenance are charged to operating profit or loss whenever such maintenance takes place. Depreciations of docking are included in ordinary depreciations; and docking is classified along with the relevant vessel in the balance sheet.

Leasing agreements
Leasing agreements are classified as operating leases or financial leases according to the terms of the agreement.

A leasing agreement is classified as an operating lease when the lessor has most of the economic benefits and risks associated with the underlying asset. Operating leases are expensed on a straight-line basis over the leasing period.

Leasing agreements are classified as financial leases when the main share of the economic benefits and risks associated with the underlying asset is with the lessee. The Group does not have any financial leasing agreements.

Derivatives
The Group uses a set of financial instruments (such as forward freight agreements, fuel swaps, foreign currency contracts and interest rate derivatives contracts) either to manage financial risks (hedging or non-hedging) or within given mandates to maximize profit (non-hedging). The purpose of the derivatives determines which accounting principle is applied.

Hedging
A hedging instrument is an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of an underlying object (asset/liability). Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the hedging instrument are recognized immediately in the profit and loss account.

Non-hedging
Foreign currency contracts not considered as hedging are measured at fair market value. All other derivatives entered into for non-hedging purposes are recorded at the lower of historical cost or fair market value.

Physical and financial freight contracts
Physical and financial freight contracts entered into for the purpose of achieving gains through short-term fluctuations in market rates are managed and valued as a single portfolio. The portfolio is valued at the lower of acquisition cost and fair market value. Both physical and financial freight contracts are valued against the forward curves as of 31 December. The fair market value of these contracts also includes estimated future losses due to counterparty risk. Loss provisions are made to the extent that the fair market value of the portfolio is negative. Any positive value exceeding acquisition cost is not recognized. Fuel swaps in the trading portfolio are recognized separately at fair value.

Income tax (for companies within the Norwegian tonnage tax system)
Operating profits related to shipping activities accepted within the Norwegian tonnage tax system are subject to tax exemption. Income tax is paid on net financial income. In addition, the Group pays tonnage tax based on net tonnage of vessels. This tax is classified as a vessel operating expense in the profit and loss account.

Income tax (for companies under ordinary taxation rules)
Tax expenses in the profit and loss account comprise the sum of tax payable for the year and changes in deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated at 22 per cent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at year-end. Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax assets are recognized in the balance sheet only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

Foreign currency
The presentation currency for the Group is US dollar (USD). The majority of the Group companies, including the parent company, have USD as their functional currency. Each entity in the Group determines its own functional currency in accordance with NGAAP and items included in the financial statements of each entity are measured using that functional currency.

Transactions in currencies other than the functional currency are translated into functional currency using the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into functional currency using the exchange rate in effect on the balance sheet date. Exchange differences arising from translations into functional currency are recorded in the income statement. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the functional currency using the historical exchange rate. Non-monetary assets and liabilities recognized at fair value are translated using the exchange rate on the date of the determination of the fair value.

Where the functional currency of consolidated entities differs from the functional currency of the Group, income statements are translated into USD using the average exchange rate for the year. Exchange differences arising on the translation are recognized directly in equity. On disposal of foreign operations, the accumulated exchange gain/loss recognized in equity relating to that particular foreign operation is recognized in the income statement.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was 8.5973 in 2021 (2020: 9.4264). At year-end 2021, an exchange rate of 8.8363 (2020: 8.5375) was used for the valuation of balance sheet items.

Receivables

Short-term trade receivables are recorded at their nominal value less provisions for bad/doubtful debt, as an approximation of their fair value. The Group regularly reviews its accounts receivable, estimates the amount of unrecoverable receivables each period and establishes an allowance for unrecoverable amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information.

Provisions for losses on receivables more than 90 days past due are recorded at 50 percent of their nominal value. The 50 percent rate has been arrived at based on experience. Further, provisions are recorded for major unpaid receivables (defined as receivables in excess of USD 100,000) based on individual assessments.

Bunker inventories

Inventories, which consist primarily of bunker fuel and lubrication oil, are stated at cost. Cost is determined on a first-in, first-out (FIFO) basis. Bunkers is recognized in the balance sheet when the Group has legal ownership of the stock. On short term time charter contracts, ownership remains with the vessel owner when vessels are hired in. Instead of transferring ownership of the bunkers, the vessels are to be returned to the owner at the end of the contract period with the same amount of bunkers onboard.

For time charter-in vessels that are hired out on time charter-out contracts, bunkers onboard the vessel at the time of hiring out is recognized as bunkers (if legal ownership is established), although some of this may have been consumed at the balance sheet date. Torvald Klaveness has legal ownership of the bunkers onboard vessels in the pools.

Bunkers are considered to be materials used for execution of voyages. These are not written down below cost if the voyage result where the bunkers are consumed is positive. However, when a decline in the price of bunker stock indicates that the voyage result turns negative, the bunker stock is written down to net realizable value.

Related parties

Transactions with related parties are conducted at arm's length on market terms. Related parties are defined to include the Group's top management, the Board of directors and stockholders of Rederiaksjeselskapet Torvald Klaveness, as well as the ultimate owners of the Group and any other companies that the ultimate owners control.

Provisions for contingent liabilities

A contingent liability is recognized once the Group has a legal or actual financial liability that is likely to be paid at a future date and the amount of the liability can be reliably estimated. Restructuring costs are recognized once the decision to implement such measures has been made and announced. The amount of the provision is the estimated expense of the restructuring. Estimated expense is valued at discounted expected future cash flows. Expected future cash flows are discounted by a pre-tax risk-free interest rate, with the addition of a risk premium to reflect any uncertainty associated with the allocation.

Pensions

All current employees in the Group have a defined contribution plan. In addition, two persons hold a defined benefit plan. All the pension plans in the Group are in compliance with local laws and regulations.

A defined contribution plan is one under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Individual agreements between the Group and the employee, resulting in an early retirement scheme, is treated in the financial statements as a contribution based pension scheme in which the total premium payments for the period up to the age of 67 are recognized as a pensions cost at the time of signing the contract.

Currency gain/loss related to net pension assets is presented as part of the pension costs.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Events after the balance sheet date

The values of assets and liabilities that are recorded in the balance sheet may be based on assumptions and uncertainties. Events that occur after the balance sheet date and that result in new information that leads to a reassessment of an item of asset or liability, are accounted for accordingly. Examples of such events after the close of the balance sheet date are legal decisions, payments and settlements received from customers, final determination of bonuses and other performance-dependent remuneration.

NOTE 2: SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Torvald Klaveness comprises several subsidiaries, joint ventures and associated companies.

Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition. Where accounting principles of subsidiaries are different from the principles of the Group, figures are restated in line with Group accounting principles.

Joint ventures are companies whose activities represent an integrated part of the Group's core activities, and whose activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the Group's ownership share is between 20 % and 50 %. Joint ventures are recognized according to the proportionate consolidation method.

Associated companies are entities in which Torvald Klaveness has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognized according to the equity method.

Unless otherwise stated, the companies are located in Oslo, Norway.

Subsidiaries:

Company name	Ownership interest per 31 Dec, 2021	Ownership interest per 31 Dec, 2020
Klaveness Asia Pte Ltd. (Singapore)	100 %	100 %
Baumarine AS	100 %	100 %
Bulkhandling Handymax AS	100 %	100 %
Klaveness Ship Holding AS[1)]	0 %	100 %
Klaveness Cement Logistics AB (Sverige)	100 %	100 %
Klaveness Container AS	96.5 %	96.5 %
Klaveness Combination Carriers ASA	53.8 %	53.8 %
KCC KBA AS	53.8 %	53.8 %
KCC Chartering AS	53.8 %	53.8 %
KCC Shipowning AS	53.8 %	53.8 %
Cargo Intelligence AS	95.3 %	91.5 %
AS Klaveness Chartering	100 %	100 %
Klaveness Shipping (Shanghai) Co. Ltd. (Shanghai)	100 %	100 %
Klaveness Shore Services Inc. (Manila, Philippines)	100 %	100 %
Klaveness Ship Management AS	100 %	100 %
Klaveness Finans AS	100 %	100 %
Klaveness Digital AS	95.3 %	91.5 %
Klaveness Dry Bulk AS	100 %	0.0 %
Klaveness AS	100 %	100 %
Klaveness Brasil Representacao de Servicos Maritimos LTDA (Rio de Janeiro, Brazil)	100 %	100 %

Joint Ventures:

Company name	Ownership interest per 31 Dec, 2021	Ownership interest per 31 Dec, 2020
Barklav (Hong Kong) Ltd.	50 %	50 %
Maruklav Management Inc	50 %	50 %

Associated companies:

Company name	Ownership interest per 31 Dec, 2021	Ownership interest per 31 Dec, 2020
Klaveness Maritime Agency Inc.	24.96 %	24.96 %

1) Merged into Rederiaksjeselskapet Torvald Klaveness in 2021

NOTE 3 : MAJOR AND SUBSEQUENT EVENTS

2022: Subsequent events

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

2021: Major events

Newbuildings
In 2021, three newbuilt CLEANBU vessels were delivered from yard Jiangsu New Yangzi Shipyard in China. MV Baiacu was delivered in January 2021, MV Bass was delivered in March and MV Balzani was delivered in May 2021.

Sale of the container fleet
The container charter market continued to significantly improve in 2021 and all eight container vessels were sold during 2021. This has resulted in a gain of USD 21.5 million and reversal of previous impairments of USD 41.2 million for the Group.

Sale of MV Banasol
MV Banasol was sold in December 2021 and gain of USD 6.4 million has been recognised in 2021.

Norsk Krigsskadeerstatning
The Group received distribution of USD 1.9 million from "Norsk Krigsskadeerstatning". This is recognized as "other income" in 2021.

2020: Major events

Newbuildings
In 2020, two newbuilt CLEANBU vessels were delivered from yard Jiangsu New Yangzi Shipbuilding. MV Baleen was delivered in August and MV Bangus was delivered in October.

The COVID-19 situation has made delivery of newbuilds in China more challenging and costly. It has not been possible to get crew into China during most of 2020, hence Chinese crew 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. The result was increased costs and fewer on-hire days. Other costs have increased as well as a result of COVID-19.

Financing
During 2020 the Group has repaid the KCC03 bond loan in full and issued a senior unsecured bond loan (KCC04) of NOK 700 million (NOK 500 million in February 2020 and NOK 200 million in September 2020) which is listed on Oslo Stock Exchange . KCC04 has a bullet structure with full repayment at maturity in February 2025 and the bond loan carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments. The bond loan is swapped to fixed USD rate and fixed interest rate (cross currency interest rate swaps/CCIRS).

Impairment Container vessel
The container market weakened in the first half of 2020 resulting in an impairment of USD 2.5 million for MV Barry in Q2. However the market improved in Q4, resulting in a reversal of previous impairments of USD 1.5 million. Total impairment for the year was USD 1.0 million.

NOTE 4: OPERATIONAL AND FINANCIAL RISKS

Torvald Klaveness operates globally and in a capital intensive industry subject to strong business cycles and volatility in underlying markets. The Group is exposed to both operational and financial risks.

Operational risks

Operational risks are related to the operation of vessels under the management of Klaveness Ship Management AS, to the execution of cargo contracts and time charter contracts in AS Klaveness Chartering, and to the management of a spot pool. Vessel management is governed by quality procedures that reflect the requirements of IMO, flag states and port states. Quality and safety audits are performed at regular intervals and significant effort is put into the training of seafarers to comply with the standards.

Operational risk is managed through insurances, procedures and systematic training of seafarers and land based employees to manage risks such as piracy, health and safety, environmental risks, off-hire and accidents. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat. The vessels are insured for loss of hire, protection and indemnity (P&I), and complete loss (hull and machinery).

The chartering and trading, combination carriers and pool management activities are governed by well-defined and board-approved mandates, management procedures and reporting requirements.

Financial risks

Financial risks may be divided into market-, counterparty-, interest rate-, currency-and liquidity risks.

<u>Market risk</u>
Shipping market risks are generated by several activities in Torvald Klaveness. Ownership of vessels involves risks related to vessel values, vessel employment, freight rates and costs. These risks are managed through time charter contracts for the container segment and contracts of affreightment (COA) and forward freight agreements (FFAs) for the combination carrier segment. The contract portfolio covers a part of the vessel capacity for the nearest 12 months for the business areas. The trading of physical and financial freight contracts, which includes COAs, TCs and FFAs, conducted by AS Klaveness Chartering, involves risks related to movements in the overall market price levels and market movements between sub-markets, e.g. geographical areas. These risks are monitored continuously and managed according to scenario-based mandates and kept within market- and liquidity risk limits decided by the board.

<u>Credit and counterparty risk</u>
Counterparty risk is generated by service deliveries to customers and through freight and charter agreements, as well as by investments in vessels employed on time charter contracts to other ship owners. All counterparties are credit rated and corresponding exposure limits are defined and monitored per counterparty. Provisions against expected future losses are made. Full provisions are made against counterparties that default on their payment obligations. A provision for losses on other outstanding amounts is made based on age and individual evaluations of each item.

FFAs and bunker oil hedges are entered into with clearing providers and investment grade OTC counterparts. Further, Torvald Klaveness is exposed to credit risk through its deposits. Deposits are made with financial institutions/banks that have an official public rating of A or higher.

<u>Foreign exchange risk</u>
Torvald Klaveness' functional currency is USD. Some of the cash, bank deposits, bond debt and debt to related parties are denominated in NOK. Currency risk and interest rate risk exposure related to the bond issued in NOK is offset by two cross currency interest rate swaps (note 21). Torvald Klaveness' income is mainly in USD, while some costs also are in NOK, EUR, CNY, AUD, PHP and SGD. At year-end 2021, the Group had a currency forward portfolio of NOK 141 million. The currency forward contracts were entered into based on board mandates. NOK 111 million of the contracts mature in 2022 and the remaining NOK 30 million mature in 2023. The transactions had a minor result effect in 2021, including change in MtM. Both open positions related to NOK costs, balance sheet positions in NOK and the currency futures are exposed to USD/NOK movements.

The financial assets and liabilities have the following currency distribution:

Financial liquid assets nominated in USD:	USD 171 million
Financial liquid assets nominated in other currencies:	USD 33 million
Interest-bearing debt in USD:	USD 76 million
Interest-bearing debt in other currencies:	USD 3 million
Bond loan (denominated in NOK):	USD 76 million

<u>Interest rate risk</u>
Interest rate risk is related to interest-bearing investments and borrowings. Torvald Klaveness to some extent manages these positions on a net basis and positions have been taken in KCC Shipowning AS and Klaveness Combination Carriers ASA to reduce the exposure. To mitigate interest rate exposure, the Group has interest rate swaps (IRS) to hedge the risk of variability of changes in cash flows of the interest bearing bank debt as a result of changes in floating interest rates. As from 1 January 2020, the Group changed its treatment of its IRS instruments, which are now defined as a portfolio aiming to hedge the underlying portfolio of interest-bearing debt in line with the Group's finance policy. At year-end 2021, approximately 52 % of the floating interest bearing debt was fixed through interest rate swap agreements.

The total mark-to-market value of interest rate swaps and cross-currency interest rate swaps was USD 2 million per 31 December 2021, largely due to USD/NOK effects.

<u>Liquidity risk</u>
The Group's cash position is impacted by market and credit risk. Torvald Klaveness holds its excess liquidity reserves mainly in bank deposits, time deposits and from time to time in liquid money market funds. The time horizon of these deposits depends on the underlying forecasted need for liquidity in the Group. The liquidity risk is considered to be limited. Deposits are executed with banks with public rating of A or higher. Torvald Klaveness has a diversified external funding base consisting of Nordic banks, bond financing and access to capital markets for the listed company Klaveness Combination Carriers ASA.

<u>Climate-related risks</u>
Includes both transition risks and physical risks with focus on transition risks, as this is considered to have a larger impact and probability for KCC ASA. The risk mainly relates to effect of reduced demand for the Group's services and the risk of stranded assets and new regulations as the fleet moves to low-carbon fuel.

At COP26 in November 2021 it was agreed to secure global net zero by 2050. The newest KCC vessels delivered will be 25 years in 2044-2046. As per today, there is still uncertainty in how future regulations will be for the shipping industry, if existing vessels can be retrofitted to be zero-emitting and how customer requirements will impact the lifetime of existing vessels. However, given the nature of the combination carriers with two laden legs, trading flexibility and the ongoing energy efficiency program, KCC's combination carriers are likely to be more competitive than existing standard vessels prior to zero-emission vessels being built.

NOTE 5: REVENUE FROM VESSELS

Torvald Klaveness operates in an international market where the various geographical areas are connected. The fleet has the flexibility to operate in all markets and are employed in a comprehensive pattern both within and between the regions in order to optimise income. Consequently, Torvald Klaveness' operating shipping activities are not attributed to specific geographical markets.

Gross revenue from vessels ('000)	2021	2020
Pools:		
Panamax	301 726	112 193
Supramax	0	11 728
Total	301 726	123 921
Own vessels:		
Combination carriers	197 148	161 846
Container vessels	21 026	23 155
Total	218 174	185 001
Total gross revenue from vessels:	**519 899**	**308 922**

NOTE 6: VOYAGE RELATED EXPENSES AND OPERATION OF VESSELS

Voyage related expenses and operation of vessels ('000)	2021	2020
Pools:		
Panamax	(298 712)	(112 032)
Supramax	(63)	(11 707)
Total expenses pools	(298 775)	(123 739)
Own vessels:		
Combination carriers	(126 524)	(105 208)
Container vessels	(12 911)	(17 503)
Total expenses own vessels	(139 435)	(122 711)
Total voyage related expenses and operation of vessels	**(438 210)**	**(246 450)**
Voyage related expenses (including distribution of pool result)	(380 775)	(194 269)
Operation of vessels	(57 434)	(52 181)
Total voyage related expenses and operation of vessels	**(438 210)**	**(246 450)**

All operating expenses of pool vessels are voyage related. Expenses include distribution of net result to the pool participants, but exclude pool management fee paid to the Klaveness pool managing company.

Combination carriers are operated in a chartering company owned by Klaveness Combination Carriers ASA. Expenses include voyage related expenses and non-voyage related vessel operating expenses.

Container vessels are employed on time charter contracts, where the charterer carries all voyage related expenses.

NOTE 7: PHYSICAL AND FINANCIAL FREIGHT AGREEMENTS

The Group through its subsidiary AS Klaveness Chartering takes positions in physical and financial freight contracts including time charter agreements, forward freight agreements, contracts of affreightment and options. The positions in physical and financial freight agreements are managed as one portfolio. The portfolio is managed within a given trading mandate regulating market- and liquidity risks with maximum exposure limits. Limits and exposures are supervised on a daily basis. The derivative portfolio mainly consists of cleared forward freight agreements, some over-the-counter agreements with investment grade institutions and negligible positions with non-investment grade counterparts. All physical and financial contract counterparties are rated in-house and given a designated credit exposure limit.

The portfolio of contracts is managed through defined mandates and risk measures and is therefore treated as a portfolio for accounting purposes. As a consequence of the accounting principles followed, a negative future portfolio value requires a provision, whereas a positive future portfolio value will only be recognized in the accounts in future years, as it is realized.

The mark-to-market value of the portfolio of contracts related to the Panamax and Financial Trading segments per end of December 2021 and forward was USD 12.5 million (2020: USD 2.7 million), assuming no credit risk. This is based on a valuation of each separate contract's cash flow relative to the forward market in the relevant contract period, which is aggregated and discounted using the USD swap interest curve. The net mark-to-market value of the portfolio, after deducting the statistically estimated counterparty losses, was positive by USD 11.0 million (2020: USD 2.1 million). The mark-to-market value of the portfolio of contracts not related to the Panamax and Financial Trading segments and not under the current mandate were per end of December 2021 negative by USD 0.7. A provision of USD 0.7 million has been made per 31 December 2021 to reflect the negative value million.

USD '000 Result from physical and financial freight agreements	2021	2020
Result from physical and financial freight agreements	38 754	8 006
Net result from physical and financial freight agreements	**38 754**	**8 006**

The Group has in its trading portfolio 11 ship-years of time charter-in contracts with maturity below 1 year, and 5 ship-years of time charter-in contracts with maturity between 1 and 2 years. The average daily lease rate was USD 21 332. In addition the Group has 4 ship years with index based lease rate.

The initial margin equals the guarantee obligation the Group through its subsidiary AS Klaveness Chartering has to the clearing houses for the trade of cleared Forward Freight Agreements (FFAs). The deposits vary daily according to the forward market. SEB is the Group's Clearing Agent and has provided a USD 5 million facility for clearing purposes (initial and variation margins). The initial margin equals the guarantee obligation the Group has to the clearing houses for freight and oil derivatives. Per year-end 2021, the Group had not drawn on the facility as deposit for initial margins, while the variation margin, which is collateral transferred between the parties due to market variations, were USD 6.4 million. The initial margins are not recognized in the balance sheet.

NOTE 8: PENSION COST, PENSION PLAN ASSETS AND PENSION LIABILITIES

All employees in Torvald Klaveness have a defined contribution plan. This plan currently consists of annual savings of 5% of salaries between 0 and 12G plus 15 % of salaries between 7.1G and 12G. 1G is currently defined to NOK 101.351. The annual pension payable depends on the size of the contributions, the number of contributions paid and the return during the savings and pension-payment period. The employee may start taking his/her pension from the age of 62, given that it is paid out over a minimum of 10 years and at least until the age of 77. The responsibility for managing the individual pension account, within the insurance company's prevailing selection of funds, lies with the employee. As of December 31, 2021 the defined pension plan included 103 (2020: 97) employees. All payments to the defined contribution plan are expensed as they are paid-in.

In addition to the defined contribution plan, the Group also has two defined benefit plans. These plans relate to two employees who hold these plans in addition to the defined contribution plan. The estimated pension liability in the balance sheet is exclusive of one unsecured contract and the pension liability recognized in the balance sheet amounts to USD 0.8 million.

The unrecognized contract gives the holder the option to leave the Group at the age of 64; and the Group the option to give the holder a leave at the age of 62. The estimated liability given retirement at the age of 62 was USD 0.4 milllion as per December 31, 2021. However, this employee has resigned late in 2021; hence the liability has not been recognized.

NOTE 9: SALARIES, SOCIAL EXPENSES AND REMUNERATION

USD '000 Salaries and social expenses	2021	2020
Wages	(30 066)	(17 533)
Benefits and insurance	(582)	(564)
Employer's social security contributions	(1 740)	(1 375)
Net pension cost	(1 339)	(1 197)
Welfare expenses	(876)	(657)
Total salaries and social expenses	**(34 603)**	**(21 326)**

Average number of man-years (on-shore Oslo)	106	92
Average number of man-years (on-shore abroad)	81	76

Crew for the Torvald Klaveness fleet is hired through manning offices in Manila, Constanta and Cape Town. The Group has on hire approximately 700-800 seafarers (variations through the year). Salaries to crew on the vessels are presented as part of operation of vessels and voyage related expenses.

Remuneration to management	2021	2020
Remuneration to the Board of Directors	(235)	(245)
Remuneration to the Chief Executive Officer [1)]	(681)	(532)

[1)] *incl. salaries and pension cost*

In 2021, Trond Harald Klaveness received a compensation of USD 90.5 thousand for his work as senior advisor, in addition to the remuneration of USD 88 thousand for carrying the position as Chairman of the Board. The employment of the Chairman of the Board has no time limit.

NOTE 10: OTHER OPERATING AND ADMINISTRATIVE EXPENSES

USD '000	2021	2020
Administrative expenses	(7 491)	(6 933)
Outsourcing, consultancy and legal fees	(4 468)	(3 364)
Audit fee [1)]	(392)	(353)
Other services from auditor [1)]	(84)	(71)
Other operating expenses	774	683
Total other operating expenses	**(11 662)**	**(10 037)**

[1)] *Excluding VAT*

NOTE 11: TANGIBLE AND INTANGIBLE FIXED ASSETS

2021 (USD '000)	Combination Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2021 - vessels/other assets	571 033	270 699	19 809	861 541
Cost 1 January 2021 - docking	25 325	17 009	-	42 334
Delivery of newbuildings/adjustment of aquisition value	153 763	-	-	153 763
Adjustment of capitalised cost		-	-	-
Additions	13 782	-	1 810	15 592
Disposals	(6 863)	(287 707)	-	(294 570)
Cost 31 December 2021 - vessels/other assets	717 933	-	21 619	739 552
Cost 31 December 2021 - docking	39 107	-	-	39 107
Accumulated depreciation 31 December 2021	(220 681)	-	(16 218)	(236 899)
Accumulated impairment 31 December 2021	-	-	(761)	(761)
Net book value 31 December 2021 - vessels/other assets	524 137	-	4 640	528 777
Net book value 31 December 2021 - docking	11 659	-	-	11 659
Net book value 31 December 2021 - total	**535 796**	**-**	**4 640**	**540 436**
Depreciation for the year, 2021 - vessels/other assets	(21 475)	(1 249)	(1 403)	(24 127)
Depreciation for the year, 2021 - docking	(6 609)	(742)	-	(7 350)
Total depreciation 2021	**(28 083)**	**(1 990)**	**(1 403)**	**(31 477)**
Impairment/impairment reversal for the year, 2021	**-**	**41 253**	**-**	**41 253**
Number of vessels by the end of 2021	16	-	-	16
Average useful life vessel	25			
Average useful life dry-docking	3-5			

2020 (USD '000)	Combination Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2020 - vessels/other assets	467 325	270 699	19 412	757 436
Cost 1 January 2020 - docking	21 282	16 937	-	38 219
Delivery of newbuildings/adjustment of aquisition value	103 708	-	-	103 708
Adjustment of capitalised cost		-	-	-
Additions	4 043	72	397	4 512
Disposals	-	-	-	-
Cost 31 December 2020 - vessels/other assets	571 033	270 699	19 809	861 541
Cost 31 December 2020 - docking	25 325	17 009	-	42 334
Accumulated depreciation 31 December 2020	(192 598)	(58 823)	(14 814)	(266 235)
Accumulated impairment 31 December 2020	-	(122 805)	(761)	(123 566)
Net book value 31 December 2020 - vessels/other assets	391 848	104 086	4 234	500 168
Net book value 31 December 2020 - docking	11 349	4 801	-	16 150
Net book value 31 December 2020 - total	**403 197**	**108 887**	**4 234**	**516 318**
Depreciation for the year, 2020 - vessels/other assets	(14 764)	(4 423)	(1 192)	(20 379)
Depreciation for the year, 2020 - docking	(3 938)	(1 702)	-	(5 640)
Total depreciation 2020	**(18 702)**	**(6 125)**	**(1 192)**	**(26 019)**
Impairment/impairment reversal for the year, 2020	**-**	**(975)**	**-**	**(975)**
Number of vessels by the end of 2020	14	8	-	22
Average useful life	25	25	-	25
Average remaining useful life	15	16	-	15.5

NOTE 11: TANGIBLE AND INTANGIBLE FIXED ASSETS cont

Torvald Klaveness' insurance arrangements are organised through external insurance companies. The financial impact of a total loss of a vessel will not be material to Torvald Klaveness.

Depreciation of vessels is recorded on a straight-line basis over the estimated economic lifetime of each individual asset. The depreciation period for vessels is normally 25 years.

Pledged vessels
All owned vessels, except MV Bangor and MV Barcarena, are pledged to secure the various loan facilities (refer to note 23 for further information).

Additions
The CLEANBU vessels MV Baiacu, MV Bass and MV Balzani were delivered from Jiangsu New Yangzi Shipbuilding Co.Ltd on respectively 11 January 2021, 25 March 2021 and 25 May 2021. The CABU vessels MV Barcarena, MV Banastar, MV Balboa and MV Baffin have performed scheduled dry-docking in 2021 amounting to USD 7.9 million; and USD 0.4 million is related to yard repairs of MV Barramundi. Technical upgrade of USD 3.4 million is related to general improvement of the technical performance of the vessels and energy efficiency initiatives.

Disposals
All container vessels were sold and delivered during the year. This resulted in a gain of USD 21.5 million in 2021. In addition, an impairment of USD 41.3 million was reversed on Group level in Q2 2021.

MV Banasol was sold in December 2021 and gain of USD 6.4 million has been recognised in Q4 2021. Gain is calculated as sales price less book value of the vessel at time of sale less any direct costs of sale.

Impairment assessment
The Group has evaluated whether there are any indicators of impairment present for the Group's vessels.

Identification of impairment indicators is based on an asessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. Expected future TCE earnings for both fleets of CABU's and CLEANBU's, diversified market exposure, development in secondhand prices, climate risk, including the risk of assets becoming stranded and the combination carrier's trading flexibility support the conclusion of no impairment indicators identifed as per 31 December 2021.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	2021	2020
Impairment (-)/reversal of impairment of vessels	41 253	(975)
Total impairment (-) / reversal of impairment	**41 253**	**(975)**

Intangible assets relate to CargoValue:

(USD '000)	Intangible assets at 31.12.2021	Intangible assets at 31.12.2020
Acquistition cost as of 1 January	4 825	2 573
Accumulated deprectation as of 1 January	(1 518)	(597)
Book value as of 1 January	**3 308**	**1 976**
Additions	3 160	2 252
Amortisation/depreciation for the year	(2 036)	(920)
Book value as of 31 December	**4 432**	**3 308**
Accumulated aquisition cost as of December 31	7 985	4 825
Accumulated amortisation/depreciation as of December 31	(3 553)	(1 518)
Depreciation plan	Straight line	Straight line
Economic life	3 years	3 years

NOTE 12: NEWBUILDING CONTRACTS

The Group has completed the newbuiliding programme at Jiangsu New Yangzi Shipbuilding Co., Ltd in China. In 2021 the Group took delivery of three vessels, MV Baiacu in January, MV Bass in March and MV Balzani in May.

2021

Investments in newbuildings	Combination carriers	Total
Cost 1.1	48 091	48 091
Borrowing cost	84	84
Yard installments paid	97 650	97 650
Other capitalized cost	7 588	7 588
Delivery of newbuildings	(153 413)	(153 413)
Net carrying amount at 31 December 2021	**(0)**	**(0)**

2020

Investments in newbuildings	Combination carriers	Total
Cost 1.1	62 106	62 106
Borrowing cost	1 023	1 023
Yard installments paid	80 851	80 851
Other capitalized cost	7 819	7 819
Delivery of newbuildings	-	-
Net carrying amount at 31 December 2020	**48 091**	**48 091**

NOTE 13: ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies (USD '000) Company	Acquisition	Ownership (direct + indirect)	Acquisition cost	Share of result 2021	Book value per 31 Dec 2021	Share of result 2020	Book value per 31 Dec 2020
Klaveness Maritime Agency Inc.	2011	24.96 %	25	31	**84**	16	65
Total associated companies			**25**	**31**	**84**	**16**	**65**

Associated companies
Investments in associated companies are recognized according to the equity method. Acquisition cost refers to the cost of the investment adjusted for accumulated payments to/from the company. Book value equals the Group's share of book equity in the company.

Klaveness Maritime Agency Inc. is located in the Philippines.

Joint ventures (USD '000) Company	Acquisition	Ownership (direct + indirect)	Share of result 2021	Share of equity per 31 Dec 2021	Share of result 2020	Share of equity per 31 Dec 2020
Barklav (Hong Kong) Limited	2000	50 %	200	600	200	700
Maruklav Management Inc	2019	50 %	1 500	2 300	670	750
Total joint ventures			**1 700**	**2 900**	**870**	**1 450**

Joint ventures
Joint ventures are accounted for according to the proportional consolidation method.

NOTE 14: INTEREST INCOME AND EXPENSES

USD '000	2021	2020
Interest income	120	403
Mortgage interest expenses	(10 327)	(10 147)
Interest expenses bond loan	(4 371)	(4 062)
Other interest income/(expenses)	(1 026)	(750)
Net interest income/(expenses)	**(15 603)**	**(14 556)**

NOTE 15: OTHER FINANCIAL INCOME AND LOSS

USD '000	2021	2020
Realized gain / (loss) financial instruments	(2 288)	(336)
Unrealized gain / (loss) financial instruments	(1 015)	(2 144)
Other financial expenses	(417)	(1 185)
Net other financial income/(loss)	**(3 720)**	**(3 665)**

NOTE 16: TAXES

USD '000 Income taxes in the income statement consist of:	2021	2020
Income taxes payable	(113)	(65)
Change in deferred tax asset	319	-
Tax adjustments previous years/other corrections	-	-
Total tax (expense) / income	**206**	**(65)**

	2021		2020	
Temporary differences - ordinary taxation:	Position	Tax effect	Position	Tax effect
Temporary differences on fixed assets	16 504	3 631	7 262	1 598
Temporary differences on current assets	9 640	2 121	5 322	1 171
Tax losses carried forward	130 079	28 617	152 947	33 648
Net temporary differences	**156 223**	**34 369**	**165 531**	**36 417**
Deferred tax asset (-) not recognised in balance sheet		(27 472)		(29 839)
Deferred tax asset in balance sheet 22 %		**6 897**		**6 578**
Deferred tax liability in the balance sheet 22 %		-		-

Deferred tax asset is recognised to the extent that temporary differences are expected to be reversed in the foreseeable future. Tax assets from companies under the tonnage tax regime are not recognised in the balance sheet, as these cannot be utilised through group contributions, and future utilisation has not been justified. The deferred tax asset has increased by USD 0.3 million in 2021, based on an evaluation of the probability of future use of the tax position at group level.

	2021		2020	
Tax payable:	Income	Tax effect	Income	Tax effect
Profit / (loss) before taxes	100 120	22 026	94	21
Permanent differences	(90 812)	(19 979)	(26 701)	(5 874)
Change in temporary differences	13 482	2 966	(10 408)	(2 290)
Change in tax losses carried forward	(22 789)	(5 014)	37 013	8 143
Taxable income / tax payable		**0**		**0**
Tax payable - foreign subsidiaries		113		65
Tonnage tax (included in operation profit)		277		245
Total tax payable in the balance sheet		**390**		**310**

NOTE 17: INVENTORIES

USD '000	2021	2020
Bunkers	33 913	18 726
Spareparts	212	212
Luboil	1 302	1 393
Inventories	**35 428**	**20 331**

NOTE 18: ACCOUNTS RECEIVABLE

USD '000	2021	2020
Accounts receivable from charterers	34 744	21 989
Accounts receivable from owners	897	2 087
Other accounts receivable	234	342
Provision for unsettled income	(4 259)	(2 459)
Provision loss on accounts receivable	(694)	(836)
Accounts receivable	**30 921**	**21 124**

NOTE 19: PREPAID EXPENSES

USD '000	2021	2020
Prepaid mark-to-market margin	17 197	3 880
Prepaid time charter hire	9 011	4 266
Other prepaid expenses	3 722	6 995
Prepaid expenses	**29 930**	**15 140**

NOTE 20: OTHER SHORT-TERM RECEIVABLES

USD '000	2021	2020
Accrued voyage income	17 771	14 465
Accrued interest income	14	6
Claims (insurance and other)	732	511
Other short-term receivables	5 534	6 705
Other short-term receivables	**24 051**	**21 687**

NOTE 21: CASH AND BANK DEPOSITS

USD '000	2021	2020
Bank deposits in USD	170 273	92 139
Bank deposits in NOK	30 013	3 341
Bank deposits in other currencies	2 133	2 047
Withholding tax accounts, restricted	767	734
Other restricted accounts	0	2
Cash	424	433
Total cash and bank deposits	**203 609**	**98 696**
Hereof cash and bank deposits related to subsidiaries with ownership interest less than 90 %	51 529	65 685

The Group has USD 55.0 million available for drawing on a revolving credit and overdraft facilities per year-end 2021.

NOTE 22: EQUITY

USD '000	Share capital	Other paid-in capital	Other equity	Total equity excluding minority	Minority interests	Total equity including minority
Equity 1 January 2020	**8 154**	**49 052**	**165 022**	**222 228**	**100 750**	**322 978**
Profit for the year			(6 078)	(6 078)	6 107	29
Dividends			-	-	(2 218)	(2 218)
Effects of changing IRS to portfolio view			982	982	843	1 825
Other changes			(522)	(522)	(459)	(981)
Equity 31 December 2020	**8 154**	**49 052**	**159 405**	**216 611**	**105 022**	**321 633**
Profit for the year			88 321	88 321	12 005	100 326
Proposed dividend			(4 527)	(4 527)	-	(4 527)
Capital decrease in Klaveness Container AS				-	(1 167)	(1 167)
Capital contribution from minority interests				-	11 131	11 131
Dividends to minority interest			-	-	(3 328)	(3 328)
Dividends			(11 679)	(11 679)	-	(11 679)
Transactions with minority interests			(1 343)	(1 343)	1 343	-
Other changes			(60)	(60)	-	(60)
Equity 31 December 2021	**8 154**	**49 052**	**230 117**	**287 323**	**125 007**	**412 329**

Shareholders	Ownership	Shares
THK Partner AS	25.3 %	2 530
MMK Holding AS	37.0 %	3 700
JWI Holding AS	37.0 %	3 700
B7 Invest AS	0.7 %	70
TOTAL	**100 %**	**10 000**

NOTE 23: MORTGAGE DEBT

USD '000	2021	2020
Mortgages, USD denominated	276 483	280 381
Capitalized loan fees	(2 364)	(1 239)
First year installments and loans falling due within one year	(23 936)	(72 329)
Total long-term mortgage debt	**250 183**	**206 813**
Hereof mortgage debt related to subsidiaries with ownership interest 90 % or less	250 183	184 340
Repayment schedule:		
Falling due within one year	23 936	72 329
Falling due between one and three years	112 116	134 589
Falling due after three years	140 431	73 463
Total mortgage debt	**276 483**	**280 381**
Book value of vessels with mortgage debt	**536 192**	**512 084**

Mortgage debt is related to vessel investments and are denominated in USD. The interest rate on the mortgage debt is linked to 3M LIBOR plus a margin. The margins are subject to market terms and for two of the facilities the margin is based on sustainability KPIs. At year-end the margins were in the range 2.10 to 2.85 per cent.

Interest rate derivative agreements have been entered into to reduce risk related to potential interest rate increases. Refer to note 4 on operational and financial risks, note 30 on hedging for details about interest rate risk reduction, and note 21 for details on financial instruments for non-hedging purposes.

Covenants
The credit facilities impose restrictions which may limit or prohibit change of control, change of business and so forth without the consent of the lenders (non-financial covenants). The lenders may accelerate the maturity of the indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of defaults.

The credit facilities also contain financial covenants related to equity, cash and debt service ability. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan. Certain cross-default exists. The Group is in compliance with all covenants at 31 December 2021.

NOTE 24: LONG-TERM BOND LOAN

KCC04 has a bullet structure with full repayment at maturity in February 2025 and the bond loan carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments. The bond loan is swapped to fixed rate USD and fixed interest rate (cross currency interest rate swaps /CCIRS).

Bond loan	Face value NOK'000	Date of maturity	Carrying amount (USD'000) 2021	2020
KCC04				
Original loan amount	700 000	11 Feb 2025	76 446	76 390
Exchange rate adjustment			2 773	5 602
Capitalized expenses			(969)	(1 032)
Bond discount			(234)	(310)
Currency adjustment NGAAP hedge			(2 697)	(5 470)
Total KCC04			**75 319**	**75 180**
Bond loan as of 31 December	-		**75 319**	**75 180**

NOTE 25: OTHER LONG-TERM INTEREST-BEARING LIABILITIES

USD '000	2021	2020
Long-term debt to related parties (note 32)	3 350	10 763
Other long-term interest-bearing liabilities	367	559
Total other interest-bearing long-term liabilities	**3 717**	**11 322**

NOTE 26: ACCOUNTS PAYABLE

USD '000	2021	2020
Accounts payable to charterers	22 206	9 088
Accounts payable to owners	3 972	1 991
Accounts payable to brokers	1 162	1 411
Accounts payable to bunkers suppliers	0	766
Other accounts payable	2 424	4
Accounts payable	**29 764**	**13 260**

NOTE 27: ACCRUED EXPENSES

USD '000	2021	2020
Accrued interest expenses	2 048	2 095
Accrued voyage expenses	24 636	13 100
Accrued expenses	**26 683**	**15 195**

NOTE 28: SHORT-TERM INTEREST-BEARING DEBT

USD '000	2021	2020
First-year installments of long-term debt (note 23)	23 936	22 473
Debt due in November 2021 (note 23)	-	49 856
Short-term debt related parties	2 610	1 410
Total short-term interest-bearing debt	**26 546**	**73 739**

First-year installments of long-term debt have been reclassified to short-term debt. Refer to note 23 for details on the loans.

Short-term debt to related parties consists of debt to persons affiliated with the shareholders of Rederiaksjeselskapet Torvald Klaveness. The debt is interest-bearing. The interest rate is NIBOR plus a market-based margin. Refer to note 32 for information regarding related parties.

NOTE 29: OTHER SHORT-TERM LIABILITIES

USD '000	2021	2020
Unearned income	28 367	15 949
Payables related to wages and crewing	2 190	3 114
Provisions for losses	564	244
Pool-hire payable	4 319	3 061
Other short-term liabilities	10 399	12 243
Other short-term liabilities	**45 839**	**34 612**

NOTE 30: HEDGING

Torvald Klaveness uses financial instruments to hedge against certain financial risks. In 2021, future freight agreements have been used to hedge against market fluctuations; fuel swaps have been used to hedge against fluctuations in the bunkers market; interest rate swaps have been used to hedge against interest rate fluctuations; and foreign exchange currency contracts have been used to hedge against currency rate fluctuations.

Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the value hedging instrument are recognized immediately in the profit and loss account.

Forward freight agreements and fuel swaps are generally entered into on a year-to-year basis.

			2021		2020	
Hedging object	Hedging instrument	Hedge included in P&L line	P&L effect	Market value	P&L effect	Market value
Cash flow hedges:						
Pool income	Forward freight agreements	Gross revenues from operation of vessels	(8 486)	1 839	1 009	(608)
Interest mortgage loans	Interest rate swaps	Interest income/expenses	-	-	154	154
Bunkers cost	Fuel swaps	Operation of vessels and voyage related expenses	(2 791)	(355)	(1 275)	44
Salaries in NOK	Foreign exchange currency contracts	Salary related expenses	435	435	(1 167)	(1 167)
SUM hedging			**(10 842)**	**1 919**	**(1 279)**	**(1 577)**

NOTE 31: GUARANTEE LIABILITIES AND COLLATERAL

All guarantees and collateral described below are provided by subsidiaries of Rederiaksjeselskapet Torvald Klaveness.

In favour of external parties:		
Guarantee to	**Guarantee description**	**Amount**
SEB/DNB	Guarantee for a loan agreement of USD 105 million in KCC Shipowning AS	USD 118.7 million
SEB/SR-Bank/Sparebanken Vest	Guarantee for a loan agreement of USD 90.7 million in KCC Shipowning AS	USD 110.7 million
Nordea/Cred. Agricole	Guarantee for a loan agreement of USD 60 million in KCC Shipowning AS	USD 72.0 million
Nordea/Danske	Guarantee for a loan agreement of USD 80 million in KCC Shipowning AS	USD 96.0 million

In favour of related parties:	Amount
Guarantee to	
Brigantina AS	0
THK Holding AS	0
THK Partner AS	0
MMK Holding AS	15 000 000
JWI Holding AS	15 000 000

Rederiaksjeselskapet Torvald Klaveness has issued guarantees as collateral for loans from related companies to the subsidiary Klaveness Finans AS. The guarantees are issued in order to comply with The Limited Liability Companies Act.

NOTE 32: RELATED PARTIES

For some transactions Torvald Klaveness is counterpart to persons and companies affiliated with the shareholders of the parent company, Rederiaksjeselskapet Torvald Klaveness. Services delivered by Torvald Klaveness to these persons and companies include accounting and administration of investments. In addition some affiliated companies and persons have extended loans to companies within the Group.

The level of fees and interests in this respect are based on market terms and are in accordance with the arm's length principle.

LONG-TERM LIABILITIES

USD 000'		2021		2020	
Company	Interest Rate	Interest	Liabilities	Interest	Liabilities
Brigantina AS	NIBOR 6m + margin	94	0	117	3 128
THK Holding AS	NIBOR 6m + margin	67	0	79	2 257
THK Partner AS	NIBOR 6m + margin	61	0	71	2 024
MMK Holding AS	NIBOR 6m + margin	57	1 682	59	1 684
JWI Holding AS	NIBOR 6m + margin	57	1 669	58	1 671
Total		336	3 350	384	10 763

THK Partner AS, MMK Holding AS and JWI Holding AS together own 99,3% of Rederiaksjeselskapet Torvald Klaveness. Trond Harald Klaveness is majority stock holder of both Brigantina AS, THK Holding AS and THK Partner AS, and holds controlling shares in MMK Holding AS and JWI Holding AS.

SHORT-TERM LIABILITIES

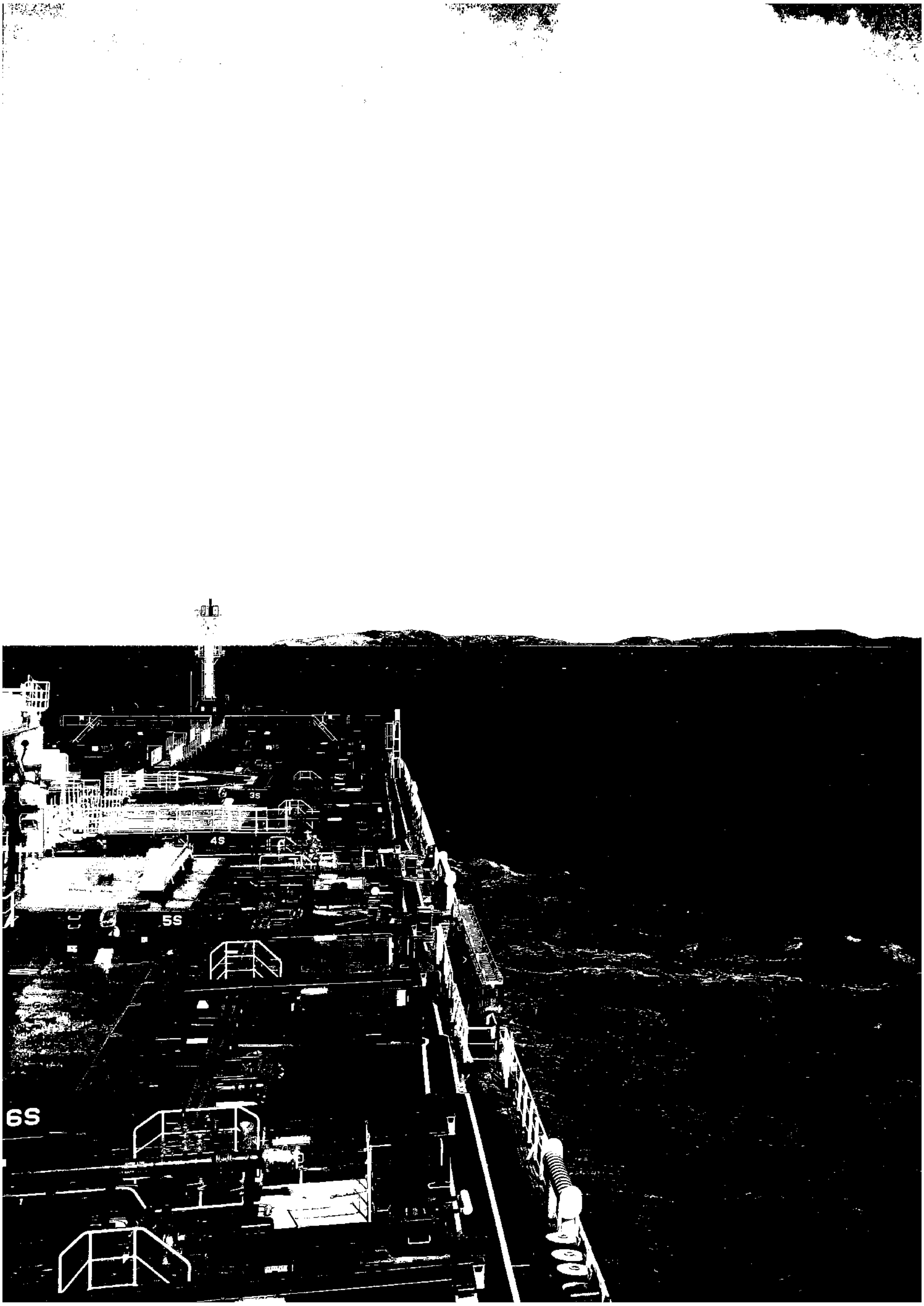
		2021		2020	
USD 000'	Interest Rate	Interest	Liabilities	Interest	Liabilities
Trond Harald Klaveness	"skjermingsrenten"	3	790	10	1 307
Morten Mathias Klaveness	"skjermingsrenten"	0.3	909	1	3
Jan Wilhelm Klaveness	"skjermingsrenten"	0.4	911	2	101
Total		4	2 610	13	1 410

NOTE 33: DISCONTINUED OPERATIONS

Profit & Loss Discontinued operation (USD '000)	2021	2020
Operating revenue	20 905	23 146
Gain sale of vessels	21 496	-
Operating expenses	(15 188)	(20 893)
Ordinary depreciation	(2 185)	(6 125)
Impairment loss (-) / reversal	41 253	(975)
Tonnage tax	(44)	(69)
Other operating and administrative expenses	(990)	(828)
Net financial result	(1 974)	(3 389)
Profit/(loss) for the year	**63 272**	**(9 134)**

The eight container vessels were sold and delivered to their new owners during 2021. A gain of USD 21.5 million was recognised in 2021.

Results, assets and liabilities for the container vessels are presented along with the other business of the Group in 2021.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INCOME STATEMENT- PARENT COMPANY

USD '000		2021	2020
Operating income and expenses			
Other operating revenue		78	0
Total operating income		**78**	**0**
Operating expenses	Note 2, 3	(3 040)	(2 459)
Total operating expenses		**(3 040)**	**(2 459)**
Operating profit/(loss)		**(2 963)**	**(2 459)**
Financial income and expenses			
Income from subsidiaries	Note 4	21 643	6 576
Gain/(loss) from sale of subsidiaries	Note 4	0	(15)
Impairment subsidiaries / reversal	Note 4	8 053	0
Net interest income/(expenses), group companies		642	252
Net other financial income/(expenses)		159	62
Net currency gain/(loss)		1 179	(100)
Net financial income/(expenses)		**31 676**	**6 775**
Profit/(loss) before taxes		**28 713**	**4 316**
Taxes	Note 5	54	0
Profit/(loss) for the year		**28 767**	**4 316**

BALANCE SHEET - PARENT COMPANY

USD '000		2021	2020
ASSETS			
Financial fixed assets			
Investments in subsidiaries	Note 4	226 548	52 698
Total fixed assets		**226 548**	**52 699**
Current assets			
Receivables, Group companies	Note 6	7 551	17 764
Other accounts receivables		5	3
Bank deposits	Note 7	30 583	113
Total current assets		**38 140**	**17 880**
TOTAL ASSETS		**264 688**	**70 579**
EQUITY AND LIABILITIES			
Equity			
Paid-in-capital			
Share capital (100 shares of NOK 509 982)		8 153	8 153
Other paid in equity		10 855	10 855
Retained earnings			
Other equity		221 623	36 427
Total equity	Note 8	**240 631**	**55 435**
LIABILITIES			
Long-term liabilities			
Loan, group companies	Note 9	0	12 983
Total long-term liabilities		**0**	**12 983**
Current liabilities			
Public duties payable			
Short-term liabilities, group/related companies	Note 10	10 005	2 152
Dividend		4 527	0
Debt to related parties	Note 10	9 496	7
Other short-term liabilities		28	0
Total current liabilities		**24 056**	**2 160**
Total liabilities		**24 056**	**15 142**
TOTAL EQUITY AND LIABILITIES		**264 688**	**70 579**

Rederiaksjeselskapet Torvald Klaveness

March 25, 2022

Trond Harald Klaveness
Chair

Christian Rynning-Tønnesen
Board member

Jan Tellef Thorleifsson
Board member

Lasse Kristoffersen
Chief Executive Officer

CASH FLOW STATEMENT - PARENT COMPANY

USD '000	2021	2020
Profit/(loss) before taxes	28 713	4 316
Impairments/reversal of impairments	(8 053)	0
Income from subsidiaries	(21 643)	(6 576)
Share of profit from subsidiaries	0	15
Change in current assets**	23 791	(14 975)
Change in current liabilities	12 369	(951)
Other non-cash items	74	0
Effect from change in exchange rate	(1 179)	0
Net cash from operating activities (1)	**34 073**	**(18 170)**
Income from subsidiaries	6 043	6 200
Capital increases	(36 250)	0
Capital decrease	32 457	0
Net cash from investing activities (2)	**2 251**	**6 200**
Increase in long term liabilities to group companies	107	10 348
Decrease in long term liabilities to group companies	(14 261)	(2 757)
Paid dividend	(11 679)	0
Loans to Group companies	15 845	4 164
Received Group contribution	1 171	0
Net cash from financing activities (3)	**(8 816)**	**11 755**
Net increase/decrease (-) in cash (1+2+3)	**27 508**	**(216)**
Cash at January 1*	3 075	329
Cash at December 31	30 583	113
Net increase/decrease (-) in cash	**27 508**	**(216)**

The company has merged with Klaveness Ship Holding AS in 2021.

* Cash from KSH AS January 1: USD 2.962

** Receivables from KSH AS January 1: USD 13.581

Note 1 ACCOUNTING PRINCIPLES

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles.

Investments in subsidiaries
Investments in subsidiaries are stated according to the historical cost method. If there is a decrease in value that is not temporary, the shares are written down. Previously recognised impairments are reversed if the reason for the impairments no longer exists.

Merger with subsidiary
The company has merged with a subsidiary, Klaveness Ship Holding AS. The merger has been treated in accordance with continuity for both tax and accounting purposes.

For other accounting principles refer to group accounting principles.

Note 2 OPERATING EXPENSES

USD '000	2021	2020
Remuneration to the Board of Directors	(235)	(245)
Audit fee	(77)	(57)
Other expenses	(2 729)	(2 157)
Total operating expenses	**(3 040)**	**(2 459)**

There are no employees in Rederiaksjeselskapet Torvald Klaveness. The Chief Executive Officer (Mr. Lasse Kristoffersen) was per December 31, 2021 employed in Klaveness AS. Remuneration costs are specified in the group notes.

Rederiaksjeselskapet Torvald Klaveness is charged with owners costs from Klaveness AS. This includes both services provided by Klaveness AS on behalf of Rederiaksjeselskapet Torvald Klaveness as well as allocation of costs generated on behalf of the owners. The cost allocation also includes remuneration of key management.

Note 3 REMUNERATION

USD '000 Remuneration to the auditor:	2021	2020
Auditing ex. VAT, statutory	(77)	(57)
Tax and other services ex. VAT	(5)	(5)
Total remuneration to the auditor	**(81)**	**(61)**

Note 4 INVESTMENTS IN SUBSIDIARIES

USD '000 Subsidiaries (acquisition year)	Share capital	Group contr. & dividends in 2021	BV changes in 2021	Book value 2021	Book value 2020
AS Klaveness Chartering, Oslo (1967)*			(16 051)	0	16 051
Klaveness Ship Holding AS (2005)**			(15 935)	0	15 935
Klaveness Finans AS, Oslo (2008)	NOK 383		6 809	15 038	8 229
Klaveness Container AS (2013)**	NOK 71 752	15 600	13 638	13 638	0
Klaveness Combination Carriers ASA (2018)**	NOK 52 372	3 843	152 938	152 938	0
Klaveness Cement Logistics AB**	SEK 575		345	345	0
Baumarine AS, Oslo (2005)*			(15)	0	15
Klaveness AS, Oslo (2011)	NOK 153		0	5 397	5 397
Klaveness Digital AS (2017)***	NOK 182		16 055	22 626	6 571
Klaveness Dry Bulk AS (2021)*	NOK 200		16 051	16 067	0
Klaveness Asia Pte. Ltd., Singapore (2006)	USD 7 000	2 200	0	500	500
Total investments in subsidiaries		**21 643**	**173 835**	**226 548**	**52 698**

*Klaveness Dry Bulk AS was established in December 2021 and the ownership of the shares in AS Klaveness Chartering and Baumarine AS was transferred to Klaveness Dry Bulk AS.

**Merged into RASTK from 2021. Klaveness Ship Holding AS owned shares in Klaveness Combination Carriers ASA, Klaveness Container AS and Klaveness Cement Logistics AB. Reversal of previous impairments of USD 8 million in KCC ASA.
*** Capital increase in 2021

Note 5 TAXES

USD '000 Income taxes consist of:	2021	2020
Effect of Group contribution	(54)	0
Total tax expense / (income)	**(54)**	**0**

Taxable income:	2021	2020
Profit/(loss) before tax	28 713	4 316
Permanent differences	(30 451)	(6 662)
Change in temporary differences	523	(23)
Group contribution with tax effect	245	0
Tax loss carried forward / (Use of tax loss carried forward)	969	2 369
Taxable income	**(0)**	**0**

Reconciliation of the effective tax rate:	2021	2020
Profit/(loss) before tax	28 713	4 316
Expected income tax (22 %)	4 301	863
Tax effect of group contribution from subsidiary included as income	(3 432)	(1 622)
Tax effect of dividend from subsidiary included as income	(1 252)	243
Write down of deferred tax	328	516
Total tax expenses / (income)	**(54)**	**0**

Deferred tax / Deferred tax asset:	2021	2020
Tax loss carried forward (tax effect)	(9 566)	(6 727)
Other temporary differences	303	48
Limitation of interest rate deduction	(1 112)	(1 151)
Deferred tax asset not recognised in balance sheet	10 374	7 830
Net recognised deferred tax / (deferred tax asset)	0	0
Change deferred tax / deferred tax asset	**0**	**0**

Note 6 RECEIVABLES, GROUP COMPANIES

USD '000	2021	2020
Klaveness Digital AS	7 164	11 564
Klaveness Ship Management AS	142	0
Klaveness Finans AS- Group contribution	245	6 200
Total receivables, group companies	**7 551**	**17 764**

Note 7 BANK DEPOSITS

USD '000	2021	2020
Bank deposits	30 583	113
Total bank deposits	**30 583**	**113**

Note 8 EQUITY

2020

USD '000	Share capital	Other paid-in capital	Other equity	Total equity
Equity at 1 January 2020	**8 153**	**10 855**	**32 112**	**51 121**
Profit/(loss) for the year			4 316	4 316
Dividends			0	0
Equity at 31 December 2020	**8 153**	**10 855**	**36 427**	**55 435**

2021

USD '000	Share capital	Other paid-in capital	Other equity	Total equity
Equity at 1 January 2021	**8 153**	**10 855**	**36 427**	**55 435**
Merger with Klaveness Ship Holding AS			172 634	**172 634**
Profit/(loss) for the year			28 767	**28 767**
Proposed dividend			(4 527)	**(4 527)**
Dividends			(11 679)	(11 679)
Equity at 31 December 2021	**8 153**	**10 855**	**221 623**	**240 631**

For information regarding ownership, refer to group notes.

Note 9 LOAN, GROUP COMPANIES

USD '000	2021	2020
Loan from Klaveness Finans AS	0	12 983
Total loans, group companies	**0**	**12 983**

Interest rate is LIBOR 3m+ margin

Note 10 SHORT-TERM LIABILITIES, GROUP/RELATED COMPANIES

USD '000	2021	2020
Klaveness AS	2 831	2 152
Klaveness Container AS	9 495	0
Cargo Intelligence AS	104	0
Klaveness Digital AS	65	0
Klaveness Finans AS	7 000	0
AS Klaveness Chartering	5	0
Total short-term liabilities, group/related companies	**19 500**	**2 152**

28 JAN. 2010

Skattedirektoratet

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

KLAVENESS CORPORATE SERVICES AS
Postboks 182 Skøyen
0212 OSLO

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

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

Torvald Klaveness-gruppen omfatter følgende selskaper;

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

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

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

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

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

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

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

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

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

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

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

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

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland

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Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Rederiaksjeselskapet Torvald Klaveness

Opinion

We have audited the financial statements of Rederiaksjeselskapet Torvald Klaveness (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with the the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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.

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

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

Oslo, 25 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically
Johan Lid Nordby
State Authorised Public Accountant (Norway)

PENNEO

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

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

Johan Nordby
Statsautorisert revisor
På vegne av: EY
Serienummer: 9578-5997-4-729076
IP: 213.52.xxx.xxx
2022-03-25 09:05:38 UTC

bank ID

Penneo Dokumentnøkkel: VZQNU-5AJ7F-JANUE-4740C-6Z1HH-EIEB1