Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2016 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2016 - 31.12.2016

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ingri Langemyhr
Dato for fastsettelse av årsregnskapet:	29.03.2017

Grunnlag for avgivelse

År 2016: Årsregnskapet er elektronisk innlevert

År 2015: Tall er hentet fra elektronisk innlevert årsregnskap fra 2016

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, 26.09.2019

Resultatregnskap

Beløp i: USD	Note	2016	2015
RESULTATREGNSKAP			
Kostnader			
Management fee	2, 13	199 000	299 000
Other administrative services	2, 13	49 000	76 000
Sum kostnader		**248 000**	**375 000**
Driftsresultat		**-248 000**	**-375 000**
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern	3	1 473 000	578 000
Annen renteinntekt	3	255 000	63 000
Annen finansinntekt	3	0	1 000
Gain/loss on foreign exchange	3	1 036 000	1 927 000
Guarantee fee from related parties	3	493 000	581 000
Sum finansinntekter		**3 257 000**	**3 150 000**
Unrealised results financial instruments	3	3 550 000	0
Rentekostnad til foretak i samme konsern	3	93 000	99 000
Annen rentekostnad	3	5 779 000	5 996 000
Annen finanskostnad	3	2 627 000	607 000
Impairment shares in subsidiaries	3, 5	92 275 000	38 054 000
Sum finanskostnader		**104 324 000**	**44 756 000**
Netto finans		**-101 067 000**	**-41 606 000**
Ordinært resultat før skattekostnad		**-101 315 000**	**-41 981 000**
Income tax expenses	4	-420 000	-5 899 000
Ordinært resultat etter skattekostnad		**-100 895 000**	**-36 082 000**
Årsresultat		**-100 895 000**	**-36 082 000**
Net movement fair value on cross-currency interest rate swaps	9	3 827 000	-12 144 000
Reclassification to profit and loss of cash flow hedges		1 355 000	10 468 000
Income tax effect	4	-1 366 000	419 000
Totalresultat		**-97 079 000**	**-37 339 000**

Balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	4	7 135 000	8 081 000
Sum immaterielle eiendeler		**7 135 000**	**8 081 000**
Finansielle anleggsmidler			
Investering i datterselskap	5	223 463 000	414 876 000
Lån til foretak i samme konsern	6	74 381 000	0
Sum finansielle anleggsmidler		**297 844 000**	**414 876 000**
Sum anleggsmidler		**304 979 000**	**422 957 000**
Omløpsmidler			
Varer			
Fordringer			
Other short-term receivables		11 000	65 000
Loan to related parties	6	0	24 227 000
Konsernfordringer	6	176 000	914 000
Sum fordringer		**187 000**	**25 206 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	7	32 430 000	8 417 000
Sum bankinnskudd, kontanter og lignende		**32 430 000**	**8 417 000**
Sum omløpsmidler		**32 617 000**	**33 623 000**
SUM EIENDELER		**337 596 000**	**456 580 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	8	1 817 000	1 817 000

Balanse

Beløp i: USD	Note	2016	2015
Overkurs		7 068 000	16 862 000
Annen innskutt egenkapital		0	5 585 000
Sum innskutt egenkapital		**8 885 000**	**24 264 000**
Opptjent egenkapital			
Annen egenkapital			0
Retained earnings		-116 233 000	-10 338 000
Other reserves		346 177 000	342 361 000
Sum opptjent egenkapital		**229 944 000**	**332 023 000**
Sum egenkapital		**238 829 000**	**356 287 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	16 Group , 10, 11	34 141 000	66 073 000
Langsiktig konserngjeld	6	24 000 000	0
Financial liabilities	9, 11	18 039 000	33 688 000
Sum annen langsiktig gjeld		**76 180 000**	**99 761 000**
Sum langsiktig gjeld		**76 180 000**	**99 761 000**
Kortsiktig gjeld			
Tax payable	4	0	0
Kortsiktig konserngjeld	6	24 000	107 000
Other current liabilities		1 282 000	425 000
Short-term bond loan	Note 16 Group	21 283 000	0
Sum kortsiktig gjeld		**22 589 000**	**532 000**
Sum gjeld		**98 769 000**	**100 293 000**
SUM EGENKAPITAL OG GJELD		**337 598 000**	**456 580 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2016	2015
RESULTATREGNSKAP			
Inntekter			
Operating revenue, vessels	2	60 146 000	76 598 000
Sum inntekter		**60 146 000**	**76 598 000**
Kostnader			
Operating expenses, vessels	2, 4	35 616 000	35 796 000
Tonnage tax	7	138 000	123 000
Ordinary depreciation	8	20 178 000	19 850 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler	8	60 050 000	17 511 000
Group administrative services	4	3 668 000	4 636 000
Other operating and administrative expenses	5	290 000	353 000
Sum kostnader		**119 940 000**	**78 269 000**
Driftsresultat		**-59 794 000**	**-1 671 000**
Finansinntekter og finanskostnader			
Annen renteinntekt		948 000	313 000
Annen finansinntekt		0	181 000
Gain/loss in foreign exchange		31 000	2 079 000
Sum finansinntekter		**979 000**	**2 573 000**
Fair value changes interest rate swaps	15	2 855 000	1 226 000
Annen finanskostnad		3 144 000	2 194 000
Interest expenses bond loan		5 779 000	5 996 000
Interest expenses mortgage debt		5 370 000	5 271 000
Sum finanskostnader		**17 148 000**	**14 687 000**
Netto finans		**-16 169 000**	**-12 114 000**
Ordinært resultat før skattekostnad		**-75 963 000**	**-13 785 000**
Income tax expenses	7	-1 213 000	-4 183 000
Ordinært resultat etter skattekostnad		**-74 750 000**	**-9 602 000**
Profit/loss after tax for the year from discontiuned operations	3	24 852 000	10 352 000
Årsresultat		**-49 898 000**	**750 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2016	2015
Net movement fair value on interest rate swaps	13	8 000	-113 000
Net movement fair value on cross-currency interest rate swap	13	3 827 000	-12 144 000
Reclassification to profit and loss	13	1 412 000	10 468 000
Income tax effect	7	-1 320 000	447 000
Totalresultat		**-45 971 000**	**-592 000**
Overføringer og disponeringer			
Hedging reserve		3 926 000	-1 343 000
Profit/loss for the year		-49 897 000	751 000
Sum overføringer og disponeringer		**-45 971 000**	**-592 000**

Konsernets balanse

Beløp i: USD	Note	2016	2015
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	7	7 510 000	7 620 000
Sum immaterielle eiendeler		**7 510 000**	**7 620 000**
Varige driftsmidler			
Vessels	8	274 954 000	274 748 000
Newbuilding contracts	9	31 995 000	45 886 000
Financial assets	12	1 052 000	0
Sum varige driftsmidler		**308 001 000**	**320 634 000**
Sum anleggsmidler		**315 511 000**	**328 254 000**
Omløpsmidler			
Varer			
Inventories		1 473 000	1 887 000
Sum varer		**1 473 000**	**1 887 000**
Fordringer			
Accounts receivable		462 000	782 000
Other short-term receivables	10	4 007 000	15 365 000
Prepaid expenses		1 750 000	1 478 000
Konsernfordringer	10	6 814 000	5 938 000
Sum fordringer		**13 033 000**	**23 563 000**
Investeringer			
Assets held for sale	3	0	163 730 000
Sum investeringer		**0**	**163 730 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	102 981 000	82 447 000
Sum bankinnskudd, kontanter og lignende		**102 981 000**	**82 447 000**
Sum omløpsmidler		**117 487 000**	**271 627 000**

Konsernets balanse

Beløp i: USD	Note	2016	2015
SUM EIENDELER		**432 998 000**	**599 881 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share captial		1 817 000	1 817 000
Overkurs		6 939 000	16 862 000
Annen innskutt egenkapital			5 585 000
Sum innskutt egenkapital		**8 756 000**	**24 264 000**
Opptjent egenkapital			
Annen egenkapital		0	0
Retained earnings		193 863 000	239 975 000
Other reserves		35 000	-3 891 000
Non-controlling interests		17 344 000	19 491 000
Sum opptjent egenkapital		**211 242 000**	**255 575 000**
Sum egenkapital		**219 998 000**	**279 839 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Obligasjonslån	16	34 141 000	66 073 000
Financial liabilities	12	20 217 000	35 756 000
Mortgage loan	15	109 758 000	132 524 000
Sum annen langsiktig gjeld		**164 116 000**	**234 353 000**
Sum langsiktig gjeld		**164 116 000**	**234 353 000**
Kortsiktig gjeld			
Short-term mortgage debt	15, 16	41 100 000	26 652 000
Leverandørgjeld		874 000	1 810 000
Tax payable	7	0	1 459 000
Tonnage tax payable	7	139 000	181 000
Kortsiktig konserngjeld		1 577 000	874 000
Other current liabilities	18	5 196 000	8 440 000

Konsernets balanse

Beløp i: USD	Note	2016	2015
Liabilities directely associated with the assets held for sale	3	0	46 271 000
Sum kortsiktig gjeld		**48 886 000**	**85 687 000**
Sum gjeld		**213 002 000**	**320 040 000**
SUM EGENKAPITAL OG GJELD		**433 000 000**	**599 879 000**

Skattedirektoratet

28 JAN. 2010

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

FINANCIAL STATEMENTS

KLAVENESS SHIP HOLDING CONSOLIDATED

Annual report 2016

Torvald Klaveness

KLAVENESS SHIP HOLDING AS CONSOLIDATED

Board of Directors' report 2016

Klaveness Ship Holding AS ("KSH"/the Company) was established 31 May 2005 and is fully owned by Rederiaksjeselskapet Torvald Klaveness. Klaveness Ship Holding AS is located in Oslo, Norway, and is the holding company of the shipowning activities in Rederiaksjeselskapet Torvald Klaveness. The consolidated financial statement of the Company as at year end 31 December 2016 comprises the Company and its subsidiaries.

2016 HIGHLIGHTS

Health, safety and environment are priority number one in Klaveness and to the Board's satisfaction there were no major incidents in 2016.

The markets where Klaveness Ship Holding AS and subsidiaries (the Group) operates continued to be challenging in 2016. Results for the combination carriers weakened compared to 2015, but were still satisfactory. The container segment was impacted by lower rates and impairments.

The Group achieved an EBITDA of USD 20.4 million from continuing operations in 2016 (2015: USD 35.7 million). Mainly due to impairment of container vessel values, the company made a loss before tax (EBT) from continuing operations of USD 76.0 million (2015: loss of USD 13.8 million). Profit after tax for the year from discontinued operations amounts to USD 24.9 million (2015: USD 10.4 million) and comprise a profit from the sale of five selfunloader vessels of USD 26.3 million in 2016. Cash flow from operations (incl. discontinued operations) was USD 25.0 million (USD 67.5 million). The balance sheet remains solid with a book equity including minority interest of USD 220.0 million at year-end corresponding to an equity ratio of 51 per cent. High solidity and good liquidity was maintained in 2016. The selfunloader and bulk segment is presented as discontinued operations with effect on comparative figures in the consolidated income statement.

The Group took delivery of two combination carriers and one kamsarmax in 2016. EGD Shipholding AS joined as 50 per cent partner in the two combination carriers, one delivered in 2016 and one with delivery in 2017. The kamsarmax was sold later in 2016. The newbuilding program now consists of four combination carriers.

Earnings for the combination carriers weakened in 2016, mainly due to a weaker tanker market, higher spot exposure and lower caustic volumes transported. Results were nevertheless satisfactory and Klaveness was able to expand its fleet by establishing new trades. The container market weakened further in 2016 resulting in an increase in idle days for the Klaveness container vessels, however rates above the general market were still achieved due to the vessels' fuel efficiency.

The three existing bank loans for the eight container vessels were refinanced into a USD 84.9 million revolving credit facility in the fourth quarter of 2016, whereof USD 30 million was drawn at year-end 2016. The existing bond issues KSH02 and KSH01 were repaid in December 2016 and January 2017 respectively. A new bond, KSH03, of NOK 300 million was issued in December 2016. The bond matures in May 2021. Total bond debt was reduced by NOK 290 million, final maturity was extended, and financial covenants aligned with covenants in relevant bank facilities. A bank loan to finance the three newbuildings with delivery in 2018/2019 was entered into in July 2016, while the vessel delivered in 2017 is part of another bank facility.

NET RESULT AND FINANCIAL POSITION CONSOLIDATED ACCOUNTS

For the full year 2016 total gross operating revenue from continuing operations was USD 60.1 million (2015: USD 76.6 million) and total operating costs amounted to USD 39.7 million (2015: USD 40.9 million). EBITDA was USD 20.4 million for 2016, weaker than EBITDA of USD 35.7 million for 2015 due to challenging markets.

Loss before tax from continuing operations was negative USD 76.0 million and includes impairment of vessels of USD 60.1 million in 2016 (2015: USD -17.5 million). Negative effects of USD 5.2 million from refinancing the bond loans and de-recognition of hedge accounting hits the finance costs in 2016. The net result from financial items was in total negative by USD 16.2 million in 2016 (2015: USD -12.1 million).

Net profit after tax from continuing operations ended negative USD 74.7 million for 2016. For 2015 the loss was negative USD 9.6 million. USD 8.8 million of the negative result (2015: positive USD 0.7 million) is attributable to non-controlling interests related to external investors in some of the combination carrier and container companies.

Profit from discontinued operations was USD 24.9 million for 2016, up from USD 10.4 million in 2015 due to recognized gain sale of vessels of USD 26.3 million in 2016.

Total assets decreased by USD 166.9 million in 2016 from USD 599.9 million at year end 2015 to USD 433.0 million. Main impacts come from sale of vessels and delivery of newbuildings, depreciation and impairments, and refinancing of the bond loan and container debt. At year-end 2016, the consolidated equity including minority interests was USD 220.0 million (USD 279.8 million), corresponding to a book equity ratio of 51 per cent (2015: 47 per cent). Book equity excluding minority interests was USD 202.7 million. Cash and bank deposits were USD 103.0 million. During 2016, the Group had a positive cash flow from operating activities of USD 25.0 million (2015: USD 67.5 million). Net cash flow from investments amounts to USD 124.1 million (2015: negative USD 34.2 million), consisting of USD 211.0 million from sale of assets and USD 86.9 in payments for vessels under construction. The cash flow from financing activities was negative USD 128.1 million (2015: negative USD 32.0 million) and comprises net of drawdown on new loan facilities, repayment of mortgage/bond debt including interests, distributions to/from the shareholders and group contribution. Due to net sale of vessels and refinancing of container loans into a revolving credit facility in 2016, interest-bearing debt has been reduced from USD 305.2 at year end 2015 to USD 185.0 million at year end 2016.

Total equity decreased by USD 59.9 million in 2016 due to total comprehensive income of USD 46.0 million, payments to non-controlling interests of USD 4.8 million, group contribution/dividend of in total USD 20.5 million and capital increase in non-controlling interests of USD 11.5 million.

The accounts are reported under the assumption of a going concern and the Board considers the financial position of Klaveness Ship Holding including subsidiaries at year-end to be solid. There have been no major transactions or events subsequent to the closing date that would have a negative impact on the evaluation of the financial position of Klaveness Ship Holding AS.

NET RESULT AND FINANCIAL POSITION STATUTORY ACCOUNTS

Operating result of the standalone financial statements of the parent company Klaveness Ship Holding AS consists of administrative expenses of USD 0.2 million (2015: USD 0.4 million). The financial result in 2016 consists mainly of impairment of shares in subsidiaries of USD 92.3 million (USD 38.1 million), interest expenses on bond loans of USD 5.8 million (USD 6.0 million) and negative effects of USD 5.2 million from refinancing the bond loans and de-recognition of hedge accounting. The net result from financial items was in total negative by USD 101.1 million in 2016 (2015: negative USD 41.6 million). Impairment in shares is mainly due to weak markets in container and dry bulk with declining vessel values in 2016 which resulted in impairment of the shares in Klaveness Container AS, Klaveness Bulk AS and T. Klaveness Shipping AS.

Net profit for the year is negative USD 100.9 million (2015: USD 36.1 million). Klaveness Ship Holding AS statutory balance sheet has decreased by USD 119.0 million from 2015 to 2016, mainly due to capital changes and impairment in subsidiaries of in total USD 191.4 mill, and an increase in cash of USD 24.0 million while loan to related parties within the Group has increased by USD 50.2 million.

Bond debt has decreased from NOK 590 million (USD 66.1 million) at year end 2015 to NOK 484 million (USD 55.4 million) at year end 2016, of which NOK 184 million (USD 23.1) was classified as short term and repaid in January 2017.

Net operating cash flow from the parent company was positive USD 2.3 million in 2016 (2015: negative USD 14.9 million). Net cash flow from investing activities was USD 99.1 million in 2016 (2015: 0) due to capital changes in subsidiaries. Net cash flow from financing activities amounted to negative USD 77.7 million (2015: negative USD 10.9 million) and consists of payments related to refinanced bond loan, terminated financial instruments, group contribution/dividend, loan to related parties and interest paid.

THE MARKETS

The dry bulk freight rates weakened to an all-time low in the first quarter of 2016. According to the Baltic Exchange cape-size freight rates averaged less than 1,500 USD/day during the quarter while panamax and supramax freight rates averaged 3,100 USD/day and 3,800 USD/day respectively. Freight rates increased in the subsequent quarters which brought the average rates in 2016 up to 6,300 USD/day for the capes (-600 USD/day year-on-year), 5,600 USD/day for the panamaxes (+100 USD/day year-on-year) and 6,300 USD/day for the supramaxes (-600 USD/day year-on-year). Similarly, the secondhand values of vessels declined sharply in the first quarter to the lowest level since 1991, but have since recovered to the levels seen at the end of 2015.

The cabu vessels are exposed to the clean product tanker market through index linked caustic soda freight contracts and the tanker market was significantly weaker in 2016 compared to 2015. As reported by the Baltic Exchange average earnings for the LR and MR clean product tankers were around 12.500 USD/day in 2016, a drop of around 40 per cent from the previous year. This drop is partly related to the high fleet growth of MR vessels over the last two years combined with very low scrapping of vessels. In addition, refinery throughput growth stalled in 2016 due to high stock levels, weaker margins and less arbitrage opportunities than in 2015. Towards the end of the year about 15 LR product tankers were employed in higher paying crude oil trades, lifting the earnings for product tankers.

The container charter market weakened in 2016 compared to 2015, with rates at historical low levels across most ship sizes. Rates for standard 2,500 TEU vessels ended the year around 5,250 USD/day, barely covering operating expenses. In October 2016 the idle fleet was reported to be record high at 400 vessels and during the year ship owners started to accept very flexible time charter periods in order to keep their vessels employed. The number of idle vessels came down towards the end of the year, due to a combination of increased chartering activity and scrapping. With a record number of vessels being recycled, the net fleet growth in container was only about 1.5 per cent in 2016, compared to a global demand growth of about 4 per cent. This was the first time since 2010 that demand growth outpaced supply growth, and a large improvement from 2015, which had a fleet growth of 8 per cent and a record low demand growth of less than 2 per cent.

According to Reuters, crude oil prices bottomed out in the start of 2016 and strengthened again during the first half of 2016. Crude oil for the year ended at 57 USD/barrel, up 52 per cent compared to the 2015 closing price. Bunker fuel prices largely followed crude oil prices, and bunkers with delivery in Singapore ended the year at 332 USD/mt, up from 160 USD/mt in the previous year.

BUSINESS SEGMENTS

By the end of 2016 the fleet consisted of eight combination carriers and eight container vessels. In addition, the Group has four combination carriers under construction.

Combination carriers: The cabu vessels are combination carriers transporting both dry cargo and caustic soda in the Far East, the Middle East, Australia, Brazil and North America. At the end of the year the cabu pool consisted of eight cabu vessels after taking delivery of two cabu newbuildings from Zhejiang OuHua Shipbuilding Co. Ltd. during the last four months of 2016. The third and last cabu vessel ordered at Zhejiang OuHua Shipbuilding Co. Ltd. is expected to be delivered in the second quarter of 2017 and will enter the cabu pool when delivered from the shipyard.

External investors hold a 50 per cent share of ownership in three vessels, 19 per cent in one vessel, 5 per cent in another vessel and further 50 per cent in the remaining cabu newbuilding with delivery in 2017.

The pool result weakened in 2016 compared to the last years, mainly as a result of the sharp fall in the tanker market, higher spot exposure and lower transported caustic volumes. The vessels were largely employed on long and medium term contracts of affreightment for transportation of caustic soda with customers in the Australian and Brazilian alumina industry. Total caustic soda shipments accounted for about 49 per cent of the available vessel days in 2016, while dry bulk cargoes, which are mainly north-bound from Australia to the Far East or Middle East and from Brazil to the US Gulf accounted for about 51 per cent of the available vessel days in 2016. The vessels Banastar and Barcarena were dry-docked during 2016.

Klaveness also has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2018 and early 2019.

The cabu pool has during 2016 succeeded to expand its contract portfolio for shipment of both caustic soda and dry bulk commodities. Three new contracts of affreightment for shipment of caustic soda were entered into and one caustic soda contract was renewed in 2016.

Container: During 2016 Klaveness owned and operated a fleet of eight geared container vessels in the feeder segment (1,700 TEU - 3,100 TEU). All vessels were chartered out to liner operators on time charter contracts of up to one year. The six modern "Eco-Flex" vessels of 2,536 TEU continued to obtain fuel efficiency premiums, despite the lower fuel prices, but the general over-supply of tonnage led to an increase in the number of idle days between charter engagements. The weak container market further resulted in an impairment of USD 58.5 million to bring book values in line with estimated recoverable amounts.

Drybulk Investments: The kamsarmax vessel MV Bavang was delivered from the yard in February 2016. It was one out of an eight order deal made in 2013/2014, whereof six have been sold with a profit and one was cancelled in 2015. In line with Klaveness' strategy to focus on building a global combination carrier business, and charter in rather than own standard dry bulk vessels, the vessel was sold in December. Klaveness no longer owns any standard dry bulk vessels.

MAIN RISKS

The Group's business is exposed to risks in many areas. The Board pays high attention to risk analysis and mitigating actions.

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.

The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of most entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. To reduce currency and interest rate risk, the company has entered into interest rate swaps converting floating interest payments to fixed rate and the bonds issued in NOK are partly secured with cross currency interest rate swaps, reducing the currency and interest exposure.

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

Operational risks in the shipping activities are managed through quality assurance, control processes and training of seafarers. Quarterly risk reviews ensure that risks are identified, analysed and managed, and that risk-mitigating actions are executed. The organisation is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of the company could have material impact on the business. To lower this exposure, the Group has implemented procedures to comply with all applicable environmental regulations and sanctions legislation and performs due diligence checks of counterparties.

Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klaveness Ship Management AS (affiliated company) which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met. The vessels sail in waters exposed to piracy. All vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks. Operational risks are also covered by insurance where relevant to cover loss of assets, revenues and contract commitments. The vessels are insured for loss of hire, protection and indemnity (P&I) and complete loss (hull and machinery). The latter is aligned with vessel values and loan agreement covenants. The financial impact of a total loss of a vessel will not be material for the Group.

At the end of 2016, the company had four newbuildings on order. Klaveness has dedicated on-site personnel who supervise the building processes, and the orders are split between two yards. There is performance risk associated with the newbuildings. Tier one Chinese banks provide refund guarantees.

There were no major unforeseen events of a financial nature during 2016. However, continued low container and dry bulk markets resulted in vessel impairments. The liquidity risk of the Group is considered to be acceptable. Financing is in place for all newbuildings. Current cash, available undrawn credit facilities and projected operating cash flow are considered sufficient to cover the Group's commitments.

ENVIRONMENT

Some of the vessels that are owned by the Group and its subsidiaries, participate in a shipping pool for operation and chartering. The pool is taking technical and operational precautions to protect the environment as embodied in ISM and MARPOL. The pool is further seeking to reduce the strain on the environment through efficiency of voyage execution and by reducing ballast voyages.

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

The consolidated and parent accounts are prepared under the assumption of going concern. Nothing has occurred after the balance date, which may significantly influence the result or the balance sheet. The Board of Directors finds that the accounts represent a true and fair view of the company's equity and debt, financial position and result.

The Board of Directors in Klaveness Ship Holding AS

~~Oslo, 31 December 2016~~
Oslo, 29 March 2017

Lasse Kristoffersen Chairman of the Board	Bent Martini Board Member
Liv Hege Dyrnes Board Member	Morten Skedsmo Managing Director

Klaveness Ship Holding AS

Consolidated Income Statement

USD '000	Note	Year ended 31 December 2016	2015
Continuing operations			
Operating revenue, vessels	Note 2	60 146	76 598
Total operating revenue		**60 146**	**76 598**
Operating expenses, vessels	Note 2, 4	(35 616)	(35 796)
Group administrative services	Note 4	(3 668)	(4 636)
Tonnage tax	Note 7	(138)	(123)
Other operating and administrative expenses	Note 5	(290)	(353)
EBITDA		**20 434**	**35 691**
Ordinary depreciation	Note 8	(20 178)	(19 850)
Impairment loss (-) / reversal	Note 8	(60 050)	(17 511)
EBIT		**(59 794)**	**(1 670)**
Finance income	Note 6	980	2 573
Finance costs	Note 6	(17 147)	(14 687)
Profit before tax from continuing operations		**(75 961)**	**(13 785)**
Income tax expenses	Note 7	1 213	4 183
Profit after tax from continuing operations		**(74 748)**	**(9 602)**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	Note 3	24 852	10 352
Profit for the year		**(49 896)**	**751**
Attributable to:			
Equity holders of the parent company		(41 112)	99
Non-controlling interests		(8 783)	651
Total		**(49 896)**	**751**

Klaveness Ship Holding AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2016	2015
Net profit/ (loss)		**(49 896)**	**751**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on interest rate swaps	Note 13	8	(113)
Net movement fair value on cross-currency interest rate swap	Note 13	3 827	(12 144)
Reclassification to profit and loss	Note 13	1 412	10 468
Income tax effect	Note 7	(1 320)	447
Net other comprehensive income to be reclassified to profit or loss		**3 926**	**(1 341)**
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		**3 926**	**(1 341)**
Total comprehensive income/(loss) for the period, net of tax		**(45 969)**	**(591)**

Attributable to:		
Equity holders of the parent company	(37 186)	(1 242)
Non-controlling interests	(8 783)	651
Total	**(45 969)**	**(591)**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 31 December	
USD '000	Note	2016	2015
ASSETS			
Non-current assets			
Deferred tax asset	Note 7	7 510	7 620
Vessels	Note 8	274 954	274 748
Newbuilding contracts	Note 9	31 995	45 886
Financial assets	Note 12	1 052	-
Total non-current assets		**315 510**	**328 253**
Current assets			
Inventories		1 473	1 887
Accounts receivable		462	782
Receivables from related parties	Note 10	6 814	5 938
Prepaid expenses		1 750	1 478
Other short-term receivables	Note 10	4 007	15 365
Cash and cash equivalents	Note 11	102 981	82 447
Total current assets		**117 488**	**107 896**
Assets held for sale	Note 3	-	163 730
TOTAL ASSETS		**432 999**	**599 879**

Klaveness Ship Holding AS

Consolidated Balance Sheet Statement

		As at 31 December	
USD '000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity	Note 19		
Share capital		1 817	1 817
Share premium		6 939	16 862
Other paid-in capital		-	5 585
Other reserves		35	(3 891)
Retained earnings		193 863	239 975
Equity attributable to equity holders of the parent		**202 654**	**260 347**
Non-controlling interests		17 344	19 491
Total equity		**219 998**	**279 838**
Non-current liabilities			
Mortgage debt	Note 15	109 758	132 524
Bond loans	Note 16	34 141	66 073
Financial liabilities	Note 12	20 217	35 756
Total non-current liabilities		**164 116**	**234 353**
Current liabilities			
Short-term mortgage debt	Note 15, 16	41 100	26 652
Accounts payable		874	1 810
Current debt to related parties		1 577	874
Tax payable	Note 7	-	1 459
Tonnage tax payable	Note 7	139	181
Other current liabilities	Note 18	5 196	8 440
Total current liabilities		**48 886**	**39 416**
Liabilities directely associated with the assets held for sale	Note 3	-	46 271
TOTAL EQUITY AND LIABILITIES		**432 999**	**599 879**

Oslo, 31 December 2016
Oslo, 29 March 2017

Lasse Kristoffersen
Chairman of the Board

Bent Martini
Board member

Liv Hege Dyrnes
Board member

Morten Skedsmo
Managing Director

Klaveness Ship Holding AS

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital	Share premium	Other paid in capital	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2015	**1 817**	**16 861**	**5 585**	**(2 550)**	**243 621**	**265 334**	**21 592**	**286 926**
Profit (loss) for the year					99	99	651	751
Other comprehensive income for the year				(1 341)		(1 341)		(1 341)
Total comprehensive income for the year				**(1 341)**	**99**	**(1 242)**	**651**	(591)
Payments to non-controlling interests							(2 752)	(2 752)
Group contribution with tax effect					(2 173)	(2 173)		(2 173)
Group contribution without tax effect					(1 572)	(1 572)		(1 572)
Equity at 31 December 2015	**1 817**	**16 861**	**5 585**	**(3 891)**	**239 976**	**260 347**	**19 491**	**279 838**
Profit (loss) for the year					(41 112)	(41 112)	(8 783)	(49 896)
Other comprehensive income for the year				3 926		3 926		3 926
Total comprehensive income for the year				**3 926**	**(41 112)**	**(37 186)**	**(8 783)**	**(45 969)**
Payments to non-controlling interests						-	(4 849)	(4 849)
Group contribution		(9 922)	(5 585)			(15 507)		(15 507)
Capital increase in non-controlling interests							11 485	11 485
Dividend payment					(5 000)	(5 000)		(5 000)
Equity at 31 December 2016	**1 817**	**6 939**	**-**	**35**	**193 863**	**202 653**	**17 344**	**219 998**

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

Klaveness Ship Holding AS

Consolidated Statement of Cash Flows

USD '000	Note	2016	2015
Profit before tax from continuing operations		(75 961)	(13 785)
Profit before tax from discontinuing operations	Note 3	24 854	10 367
Tonnage tax expensed		151	173
Net gain/loss fixed assets	Note 3	(26 313)	2 956
Ordinary depreciation	Note 8	20 573	30 382
Impairment loss/ reversal	Note 8, 9	61 201	22 553
Amortization of upfront fees bank loans		1 421	877
Financial derivatives unrealised loss/gain		2 855	1 226
Refinancing cost		1 618	-
Reversal provision		(500)	-
Gain/loss on foreign exchange		31	(1 884)
Interest income	Note 6	(948)	(313)
Interest expenses	Note 6	11 501	12 302
Taxes paid for the period		(1 459)	(1 295)
Change in receivables		8 618	2 902
Change in current liabilities		(3 477)	1 303
Change in other working capital		(75)	(613)
Interest received		948	313
A: Net cash flow from operating activities		**25 038**	**67 464**
Acquisition of tangible assets	Note 8	(2 637)	(5 972)
Installments and cost on newbuilding contracts	Note 9	(84 239)	(28 197)
Payment receieved disposal vessels/newbuildings		211 021	-
B: Net cash flow from investment activities		**124 145**	**(34 169)**
Proceeds from mortgage debt		94 323	69 622
Proceeds from bond loan		35 273	-
Transaction costs on issuance of loans		(1 542)	(1 380)
Repayment of mortgage debt		(169 735)	(80 346)
Repayment of bond loan		(48 299)	-
Terminated financial instruments		(12 708)	-
Interest paid		(11 501)	(12 302)
Cash proceeds from issuing of shares non-controlling interests		11 485	-
Group contribution/dividend		(20 507)	(4 794)
Dividends to non-controlling interests		(4 849)	(2 752)
C: Net cash flow from financing activities		**(128 062)**	**(31 952)**
Net change in liquidity in the period (A + B + C)		21 121	1 343
Net foreign exchange difference		(587)	(586)
		20 534	**757**
Cash and cash equivalents at beginning of period		82 447	81 690
Cash and cash equivalents at end of period	Note 11	102 981	82 447
Net change in cash and cash equivalents in the period		**20 534**	**757**
Undrawn facilities*	Note 15	175 900	146 277

* Includes undrawn part of a Revolving credit facility and committed but undrawn part of loans for the vessels under construction.

Klaveness Ship Holding AS

Consolidated Financial Statements

Contents

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

CORPORATE INFORMATION

Klaveness Ship Holding AS ("parent company"/KSH) is a private limited company domiciled and incorporated in Norway. The parent company has headquarter and is registered in Drammensveien 260, 0283 Oslo. The parent company's consolidated accounts for the fiscal year 2016 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

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

The consolidated financial statements for Klaveness Ship Holding AS for the fiscal year 2016 are approved in the board meeting on 29 March 2017.

The Group activities are described in note 2.

BASIS OF PREPARATION

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was USD/NOK 8.4044 in 2016 (2015: 8.0640). At year-end 2016 an exchange rate of USD/NOK 8.6456 (2015: 8.7986) was used for the valuation of balance sheet items.

CONSOLIDATION POLICIES

Subsidiaries

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

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

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

using consistent accounting principles for similar transactions and events under otherwise similar circumstances.

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

Non-controlling interests

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant estimates and assumptions

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

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

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

Carrying amount of vessels, depreciation and impairment

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

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

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

Onerous contracts

At each reporting date, management assesses if there are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. A provision is recorded by estimating the present obligation under the contract.

The recognition of deferred tax assets

Deferred tax assets are only recognized if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. If the Group has loss carried forward in any subsidiaries, these deferred tax assets are recognized only if there are convincing evidence that adequate taxable profit will be available in the future against which losses can be utilized.

Judgments

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

Impairment

The Group has defined the fleet of combination carriers (Cabu) as one cash generating unit (" CGU"), due to the Group's operational strategy to manage the fleet as a portfolio and thereby optimizing the portfolios' cash flow and the earnings for the entire Group. For container vessels the Group has defined that each vessel is a separate CGU as the cash flows from these vessels can be separated on an individual level.

Consolidation of Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS

The Group owns 50 % of Banasol Inc and 50 % of Banastar Inc. The remaining shares are owned by Veronica Co Ltd. The Group owns 50 % of Baffin Shipping AS and 50 % of Ballard Shipping AS. The remaining shares are owned by EGD Shipholding AS. The entities own one vessel each; MV Banasol, MV Banastar, MV Baffin and MV Ballard (to be delivered in 2017) respectively. Management has assessed the investments against control criterias in IFRS 10 whether the Group has rights to direct

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity. The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS which have been consolidated as subsidiaries into the Group's financial statements.

Sale of selfunloader vessels

A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. The management has considered whether the transaction has one or three different buyers. As the sale was fronted by one nominee, the three buyers are related parties and the fact that prerequisite for a sale was all five vessels or none, the management concluded on one buyer. Based on this, the sale has been treated as sale of group of assets disposed together, ref reversal of prior years impairment (note 3).

SEGMENT REPORTING

The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group executive management who makes the strategic decisions.

The vessels are structured into segments based on type of freight the vessels transport. The internal financial reports are structured into four reporting segments with similar characteristics i) Combination Carriers ii) Container vessels iii) Dry bulk investments (Kamsarmax) and iv) Other/administration. The shipping market in general offers a global service covering major trade routes. All segments have worldwide activities. Due to this, assets and liabilities are not allocated to geographical segments.

REVENUE RECOGNITION

Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the Group and the amount can be reliably estimated, regardless of when payment is being made. Revenues are recognized at fair value and presented net of value added tax and discounts.

The Group's shipowning companies

The Group's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies. Vessels owned by the Group are either operated under time charter contracts or participate in a pool.

Revenues from time charters (TC) are accounted for as operating leases under IAS 17. The Group owns eight container vessels. The charter agreements are on time charter basis, implying chartering a complete vessel including crew. Revenues from predetermined time charters are recognized on a straight-line basis over the duration of the period of each charter and adjusted for off-hire days, as the service is performed.

Net-revenues from the pool participation are recognized in accordance with revenue recognition in the co-sailing pool (charterer). Profit from the co-sailing pool is allocated to each vessel participating in the pool, based on allocation keys (vessel earning points) stipulated in pool participation agreements. Revenues and costs associated with the vessels' voyages are accrued according to the share of voyage days that occur before closing (percentage of completion method). Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Voyages are normally discharge-to-discharge. Except for any period a vessel is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

OPERATING EXPENSES

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

INCOME TAX

All the companies within the Group, with the exception of Klaveness Ship Holding AS (parent company), Klaveness Cement Logistics AB (KCL AB) and Klaveness Bulk AS (KBA), are organized in compliance with the Norwegian tonnage tax regime ("NTT"). KSH and KCL AB are subject to ordinary taxation. Company tax in Norway is 25 % (24 % from 2017). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction. Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

The NTT entails no tax on operating profits or tax on dividends from companies within the scheme. Net financials, allowed for some special regulations, are taxed on an ongoing basis, currently at a rate of 25 %. A tonnage fee is charged per vessel depending on the size of the vessel owned or leased by companies taxed under the NTT. This tonnage tax is classified as an operating cost.

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 24 % (25 %) on the basis of temporary differences between tax and accounting values of assets and liabilities that exist at the balance sheet date. Deferred taxes are recognized using the liability method in accordance with IAS 12. Deferred tax is only calculated for assets and liabilities for which future realization will lead to tax payable.

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

VESSELS, NEWBUILDINGS AND DOCKING

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

Depreciation of vessels

Depreciation is calculated on a straight-line basis over the estimated useful life of a vessel taking its residual value into consideration. Useful life is estimated to be 20-25 years for the Group's fleet. Certain capitalized elements like costs related to periodic maintenance/dry-docking have shorter estimated useful lives and are depreciated until the next planned dry-docking, typically over a three to five years period. When newbuildings are delivered a portion of the cost is classified as dry docking.

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

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

Newbuildings

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

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

Impairment of vessels and newbuildings

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

LEASING

The Group differentiates between financial leasing and operational leasing based on an evaluation of the lease contract at the time of inception. A lease contract is classified as a financial lease when the terms of the lease transfer substantially all risk and rewards of ownership to the lessee. All other leases are classified as operational leases. When a lease contract is classified as a financial lease where the Group is the lessee, the rights and obligations relating to the leasing contracts are recognized in the balance sheet as assets and liabilities. The interest element in the lease payment is included in the interest costs and the capital amount of the lease payment is recorded as repayment of debt. The lease liability is the remaining part of net present value of future payments. For operational leases, the rental amount is recorded as an ordinary operating cost.

The Group has leasing agreements as lessor related to the container vessels which all are classified as operational leases. Lease payments received are recognized in profit or loss on a straight-line basis over the term of the lease, typically 3-12 months.

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

FINANCIAL ASSETS

The Group and the parent company classify financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge. The classification depends on the purpose of the asset. Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The subsequent measurement of financial assets depends on their classification as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance sheet date. These are classified as non-current assets. Loans and receivables are classified as other current assets or other non-current assets in the balance sheet.

Loans and receivables are recognized initially at their fair value plus transaction costs and subsequently measured at amortised cost. The interest element is disregarded if it is insignificant, which is normally the situation for the Group. Should there be objective evidence of a decline in value, the difference between the carrying amount and the estimated recoverable amount is recognized as a loss in the period they arise.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or are transferred, and the group has transferred by and large all risk and return from the financial asset.

Hedge accounting – cash flow hedges

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks that are within the scope of IAS 39.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when fair value is positive and as financial liabilities when the fair value is negative.

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit and loss.

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

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

FINANCIAL LIABILITIES

Interest bearing debt and bond loans are recognized at fair value when the proceeds are received, net of transaction costs. In subsequent periods, loans are stated at amortized cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement as finance costs over the term of the loan. Loans are classified as current liabilities unless the Group or the parent company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

This category generally applies to interest-bearing loans and borrowings. For more information refer note 15 and 16.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

DIVIDENDS

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

PROVISIONS

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

Provisions usually relate to legal claims.

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

RELATED PARTIES

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

EVENTS AFTER BALANCE SHEET DATE

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

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

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

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

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

ACCOUNTING POLICIES | CONSOLIDATED KLAVENESS SHIP HOLDING AS

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for the year ending 31 December 2016. IASB has issued the following standards/amendments to the following standards that are not yet effective which may have an impact on these financial statements:

- IFRS 9 Financial Instruments (effective date 1 January 2018)

- IFRS 15 Revenue from contract with customers (effective date 1 January 2018)

- IFRS 16 Leases (effective date 1 January 2019)

The Group has evaluated if IFRS 9 Financial instruments, IFRS 15 Revenue from contracts with customers and/or IFRS 16 Leases will have significant impact on the financial statements. The evaluation of anticipated effects of the new standards concludes on no material impact on the financial statements of the Group, beyond disclosures. Other issued standards and interpretations, that are not yet effective, are not applicable for the Group, and will not have an impact on the financial statements.

Note 2 - Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the executive management (chief operating decision-maker).

The financial reporting is divided into the following operating segments:
- Combination Carriers (Cabu)
- Container vessels
- Other/administration
- Dry bulk investments (discontinued operations in 2016, see note 3)
- Selfunloader vessels (SUL) (discontinued operations in 2015, see note 3)

All segments have worldwide activities. The Group operates in an open 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 inside and between the regions in order to optimize income. Consequently, the Group's operating shipping activities are not attributed to specific geographical markets.

Combination Carriers are spesialized vessels. Cabus are constructed to carry caustic soda and dry bulk. The Group owns eight Cabu vessels which participate in a pool operated by Cabu Chartering AS (affiliated company). The Group has one Cabu newbuilding under construction at Zeijiang OuHua Shipbuilding Co. Ltd. scheduled for delivery in 2017, and three other combination carriers under construction at Jiangsu New Yangzi Shipbuilding Co., Ltd in China, scheduled for delivery in 2018/2019.

The Container vessels are standard vessels which are operated on short term time-charter (TC) agreements.The Group owns eight container vessels (1,700-3,100 TEU).

In December, the Group sold the only owned dry bulk vessel , MV Bavang (see note 3). The vessel was delivered from the yard in February 2016.

The Group's five selfunloader vessels were delivered to their new owners in January 2016 (see note 3).

The remaining of the Group's activities, eliminations and intra group transactions are shown in the "other/administration" column. The Group's administration costs and other shared costs have been allocated to segments. Transfer prices between operating segments are on arm's length basis in a manner similar to transactions with third parties.

Information regarding the Group's reportable segments is presented below. Interest income and interest expense have not been allocated to segments, as the financing is managed on a group basis.

Income statement by segments 1 January- 31 December 2016

(USD'000)	Combination carriers	Container vessels	Other/ admin	Total consolidated
Operating revenue, vessels	41 026	19 120	-	60 146
Total operating revenue	**41 026**	**19 120**	**-**	**60 146**
Operating expenses, vessels	(17 136)	(18 980)	500	(35 616)
Ordinary depreciation	(12 812)	(7 366)	-	(20 178)
Net impairment	-	(60 050)	-	(60 050)
Tonnage tax	(68)	(70)	-	(138)
Other operating and adm expenses	(1 368)	(2 318)	(271)	(3 957)
Total operating expenses	**(31 385)**	**(88 784)**	**229**	**(119 939)**
Operating profit/EBIT	**9 641**	**(69 664)**	**229**	**(59 794)**

Note 2 - Segment reporting (cont.)

Balance sheet by segments at 31 December 2016

(USD '000)	Combination carriers	Container vessels	Other*/ admin	Total consolidated
ASSETS				
Vessels	158 852	116 102	-	274 954
Newbuilding contracts	31 995	-	-	31 995
Financial assets	1 052	-	-	1 052
Other non-current assets	-	-	7 510	7 510
Total non-current assets	191 898	116 102	7 510	315 510
Cash	64 908	2 865	35 208	102 981
Current assets	9 723	4 451	333	14 507
Total current assets	74 631	7 316	35 541	117 488
TOTAL ASSETS	**266 529**	**123 418**	**43 051**	**432 999**
EQUITY AND LIABILITIES				
Total equity	160 484	91 383	(31 869)	219 998
Interest bearing debt	80 574	29 184	-	109 758
Bond loans	-	-	34 141	34 141
Financial liabilities	2 117	60	18 039	20 217
Total non-current liabilities	82 691	29 245	52 180	164 116
Short-term interest bearing debt	19 818	-	21 283	41 100
Other current liabilities	3 536	2 791	1 458	7 785
Total current liabilities	23 354	2 791	22 741	48 886
TOTAL EQUITY AND LIABILITIES	**266 529**	**123 418**	**43 051**	**432 999**

* Includes assets and liabilities related to assets held for sale/discontinued operations.

Capital expenditure Vessels	(2 597)	(40)	-	(2 637)
Capital expenditure newbuildings	(64 844)	-	-	(64 844)
Cash from operation	19 856	(2 288)	229	17 797

Cash from operation is reported excluding capital expenditures on newbuildings and acquisition of second hand vessels, as this is considered not part of normal operation, and including minority interests.

Income statement by segments 1 January- 31 December 2015

(USD'000)	Combination carriers	Container vessels	Other/ admin	Total consolidated
Operating revenue, vessels	50 989	25 609	-	76 598
Total operating revenue	**50 989**	**25 609**	**-**	**76 598**
Operating expenses, vessels	(14 905)	(20 889)	-	(35 796)
Ordinary depreciation	(10 773)	(9 077)	-	(19 850)
Net impairment	-	(17 511)	-	(17 511)
Tonnage tax	(62)	(62)	-	(123)
Other operating and adm expenses	(2 202)	(2 376)	(411)	(4 989)
Total operating expenses	**(27 942)**	**(49 915)**	**(411)**	**(78 269)**
Operating profit/EBIT	**23 047**	**(24 306)**	**(411)**	**(1 670)**

Note 2 - Segment reporting (cont.)

Balance sheet by segments at 31 December 2015

(USD '000)	Combination carriers	Container vessels	Dry bulk Investment	Other*/ admin	Total consolidated
ASSETS					
Vessels	91 229	183 518	-	-	274 748
Newbuilding contracts	45 328	-	558	-	45 886
Other non-current assets	-	-	-	7 620	7 620
Total non-current assets	136 558	183 518	558	7 620	328 253
Cash	64 769	1 902	42	15 733	82 447
Current assets	11 748	6 202	2 307	5 192	25 448
Total current assets	76 517	8 104	2 349	20 925	107 896
Assets held for sale (note 3)	-	-		163 730	163 730
TOTAL ASSETS	**213 075**	**191 622**	**2 907**	**192 275**	**599 879**
EQUITY AND LIABILITIES					
Total equity	143 669	89 559	2 728	43 884	279 838
Interest bearing debt	44 546	87 978		-	132 524
Bond loans	-	-		66 073	66 073
Other non-current financial liabilities	1 968	-		33 788	35 756
Total non-current liabilities	46 514	87 978		99 861	234 353
Short-term interest bearing debt	17 148	9 504		-	26 652
Other current liabilities	5 743	4 582	179	2 260	12 765
Total current liabilities	22 891	14 086	179	2 260	39 416
Liabilities directly associated with assets held for sale	-	-		46 271	46 271
TOTAL EQUITY AND LIABILITIES	**213 075**	**191 622**	**2 907**	**192 275**	**599 879**

* Includes assets and liabilities related to assets held for sale/discontinued operations.

Capital expenditure vessels	(3 601)	-		-	(3 601)
Capital expenditure newbuildings	(23 383)	-		-	(23 383)
Cash from operation	30 219	2 282		(411)	32 089

Note 3 - Discontinued operations

The five selfunloader vessels were sold in November 2015 and delivered to their new owners in January 2016. A gain of USD 26.2 million was recognized in 2016. Recognized gain of USD 0.2 million relates to finalizing of sale of bulk options from 2013.

The Kamsarmax vessel Bavang was sold in October 2016 and delivered to the new owner in December 2016. A loss of USD 0.1 million was recognized in 2016. After the sale, the Group no longer owns any standard dry bulk vessels.

With selfunloader vessels and the kamsarmax vessel classified as discontinued operations, the selfunloader and dry bulk investments segments are no longer presented in the segment note (note 2). Profit after tax from discontinued operation is presented separately in the consolidated income statement for 2016 and 2015. Booked value of the five selfunloader vessels and liability related to financing of the selfunloader vessels are presented on a seperate line in the financial position as of 31 December 2015. Outstanding amount (USD 46.2 mill) on the revolving credit facility (RCF) with DNB/SEB (USD 75 mill) was repaid in January 2016. Debt related to financing of Bavang (USD 12.4 million) was repaid in December 2016. The total result of discontinued operation for the year are presented below:

USD '000	2016	2015
Operating revenue, vessels	2 982	47 512
Gain from sale of vessels	26 443	(12)
Total operating revenue	29 424	47 500
Operating expenses, vessels	(2 223)	(19 061)
Loss from of sale fixed assets	(130)	(186)
Ordinary depreciation	(394)	(10 533)
Impairment	(1 151)	(5 041)
Tonnage tax	-	(51)
Other operating and adm expenses	(379)	(1 227)
Operating profit/EBIT	**25 147**	**11 402**
Finance income	-	-
Finance costs	(292)	(1 035)
Profit/(loss) before tax	**24 854**	**10 367**
Income tax expenses	(2)	(15)
Profit/(loss) after tax from disc. operations	**24 852**	**10 352**

Prior to the sale of MV Bavang, the vessel was impaired to fair value less cost to sale. An impairment of USD 1.2 million was recognized in 2016 (2015: USD 8.0 million).

For the selfunloader vessels, sales price of the five vessels (USD 190 million) was higher than booked value (USD 163.7 million). Impairment related to one of the vessels was reversed in the P&L for 2015 (USD 3.0 million).

The major classes of assets and liabilities of assets held for sale as at 31 December are, as follows:

USD '000	2016	2015
Assets		
Assets held for sale	-	163 730
Liabilites		
Liabilities directly associated with assets held for sale	-	46 271

Cash flows from discontinued operations are included in cash flows from continuing operations.
Cash flows from discontinued operations are as follows:

USD '000	2016	2015
Net cash flow from operating activities	79	25 589
Net cash flow from investment activities	191 428	(718)
Net cash flow from financing activities	(45 471)	46 067

Note 4 - Operating expenses

USD '000	2016	2015
Technical expenses	11 361	12 007
Crew costs	15 377	14 253
Insurance	2 893	2 995
Crewing agency fee to Klaveness Ship Management AS (note 21)	1 275	1 220
Ship management fee to Klaveness Ship Management AS (note 21)	2 843	2 820
IT fee to Klaveness Ship Managment AS (note 21)	143	392
Commission fee	5	793
Cancellation newbuilding (note 9)	-	2 770
Other operating expenses	1 717	(1 454)
Total operating expenses	**35 616**	**35 796**

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

USD '000	2016	2015
Commercial management fee to Klaveness AS (note 21)	3 171	4 109
Accounting fee and other administrative fees to Klaveness AS (note 21)	496	527
Group administrative services	**3 668**	**4 636**

Note 5 - Other operating and administrative expenses

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

Remuneration to the auditor

USD'000	2016	2015
Statutory audit	118	94
Other assurance services	94	79
Total expensed audit fee	**212**	**172**

Auditor's fees are stated excluding VAT.

Note 6 - Finance income and finance costs

USD'000	2016	2015
Other interest income	948	313
Other financial income	-	181
Gain / (loss) on foreign exchange	31	2 079
Total finance income	**980**	**2 573**

USD'000	2016	2015
Interest expenses mortgage debt	5 370	5 271
Interest expenses bond loan	5 779	5 996
Fair value changes interest rate swaps (note 15)	2 855	1 226
Other financial expenses	3 144	2 194
Total finance costs	**17 147**	**14 687**

Interest expenses of USD 1.3 million is capitalized as borrowing costs on newbuildings in 2016 (2015: USD 0.6 million). Refer to note 15 and note 16 for further disclosures of the Group's debt.

Note 7- Taxes

Tonnage tax

Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. All the Norwegian companies within the Group, with the exception of the parent company, Klaveness Bulk AS and Klaveness Cement Logistics AB are subject to tonnage taxation. The subsidiary Klaveness Bulk AS exited tonnage taxation in 2016 due to sale of its qualifying asset.The companies within the tonnage tax system have to pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the Norwegian tonnage tax regime, however it is only a portion of the interest cost and net currency expenses that gives the right to tax deductions.

Ordinary taxation

The ordinary rate of corporation tax in Norway is 25 % for 2016 (2017: 24 %). Subsidiaries outside of Norway are governed by the tax laws and tax rates in the local jurisdiction (Klaveness Cement Logistics AB subject to tax rate of 22 % in Sweden). Tax expenses outside Norway is not material.

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

USD '000 Income taxes for the year	2016	2015
Income taxes payable	-	1 459
Change in deferred tax	(1 211)	(1 808)
Tax adjustments previous years	(2)	(4 781)
Adjustment correction of OCI included in tax expense prior years	-	947
Total tax expense / income (-) reported in the income statement	**(1 213)**	**(4 183)**
Tax on net (gain)/loss on revaluation of cash flow hedges	1 320	(447)
Deferred tax charged to OCI	**1 320**	**(447)**

USD '000	2016		2015	
Tax payable	Income	Tax effect	Income	Tax effect
Profit / loss (-) before taxes, incl OCI	(45 873)	(11 468)	(5 206)	(1 406)
Income from shipping activity, tonnage tax system	32 001	8 000	(3 873)	(1 046)
Change in temporary differences	(27 124)	(6 781)	12 060	3 256
Permanent differences	18 039	4 510	-	-
Change in tax losses carried forward	11 818	2 955	5 662	1 529
Exchange rate differences	11 137	2 784	(3 240)	(875)
Tax payable in the balance sheet	-	-	**5 403**	**1 459**
Effective tax rate		0 %		-28 %
Tonnage tax (included in operating profit)		138		181
Total tax payable in the balance sheet		**138**		**1 640**

USD '000 Temporary differences - ordinary taxation	Temporary difference	2016 Tax effect	Temporary difference	2015 Tax effect
Gains and losses accounts	(1 433)	(344)	(331)	(83)
Currency gain/loss not realised	2 023	485	7 059	1 765
Unrealised gain/loss IRS	(18 737)	(4 497)	(2 010)	(503)
Unrealised gain/loss CCIRS	(35)	(9)	(33 297)	(8 324)
Tax losses carried forward	(20 828)	(4 999)	(9 010)	(2 253)
Deferred tax asset not recognised in the balance sheet	7 718	1 852	7 114	1 778
Net temporary differences - deferred tax liability/asset (-) *	**(31 292)**	**(7 510)**	**(30 476)**	**(7 620)**

*At year-end 2016 the company has chosen not to record deferred tax asset of USD 1.9 million which relates to companies subject for tonnage taxation. Temporary differences relates to financial losses carried forward in which possibility to net against future gain is uncertain. At year-end 2016 the Group has recorded a deferred tax asset of USD 7.5 million. At year-end 2015 the company recorded a deferred tax asset of USD 7.6 million. Recognised deferred tax asset is expected to be utilized in the future upon taxable profit in other Group companies with Rederiaksjeselskapet Torvald Klaveness. The probability of future taxable profits has been asessed.

Note 8 - Vessels

2016

Vessels	Combination carriers	Container	Total vessels*
Cost price 1.1	210 267	254 279	464 546
Delivery of newbuildings	77 798	-	77 798
Additions (mainly upgrading and docking of vessels)	2 597	40	2 637
Disposals	(2 164)	-	(2 164)
Costprice 31.12	**288 498**	**254 319**	**542 817**
Acc. Depreciation 1.1	118 999	19 161	138 161
Depreciation for the year	12 812	7 368	20 178
Reclass/disposal	(2 164)	-	(2 164)
Acc. depreciation losses 31.12	**129 647**	**26 529**	**156 175**
Acc. impairment losses 1.1	-	51 637	51 637
Impairment for the year	-	60 050	60 050
Acc. impairment losses 31.12	**-**	**111 688**	**111 688**
Carrying amounts 31.12.2016	**158 851**	**116 102**	**274 954**
No. of vessels	8	8	
Useful life	20	25	
Depreciation schedule	Straight-line	Straight-line	

*) carrying value of vessels includes dry-docking

2015

Vessels	Combination carriers	Container	Total vessels*
Cost price 1.1	206 666	254 279	460 945
Additions (mainly upgrading and docking of vessels)	3 601		3 601
Costprice 31.12	**210 267**	**254 279**	**464 546**
Acc. Depreciation 1.1	108 068	10 243	118 311
Depreciation for the year	10 931	8 918	19 850
Reclass/disposal	-	-	-
Acc. depreciation 31.12	**118 999**	**19 161**	**138 161**
Acc. impairment losses 1.1	-	34 126	34 126
Impairment for the year	-	17 511	17 511
Acc. impairment losses 31.12	**-**	**51 637**	**51 637**
Carrying amounts 31.12.2015	**91 268**	**183 480**	**274 748**
No. of vessels	6	8	
Useful life	20	25	
Depreciation schedule	Straight-line	Straight-line	

*) carrying value of vessels includes dry-docking

Note 8 - Vessels (cont.)

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

Disposals of vessels
Selfunloader vessels and the kamsarmax vessel are presented as discontinued operation - see note 3 for further information.

Impairment assessment
The Group has performed an impairment test where the value in use is calculated using estimated cash flows.

The estimated cash flows are based on management's best estimate and reflect the Group's expectations of the market in the different segments. The net present value of future cash flows is based on a pre-tax weighted average cost of capital (WACC) of 8.5 % in 2016 (2015: 8.5 %). Cash flows are estimated over the remaining life of the vessel, with an estimated residual value at the end of the economic life. From 2021 and onwards, the cash flows are based on a zero-growth scenario, however an escalating factor of an in average 1.0 % inflation rate has been included for all operating expenses for all years until scrapping.

Container vessels
The company has calculated value in use of each vessel by discounting expected future cash flows. Value in use has been calculated by weighing three different scenarios . TC rates differentiates in the three different scenarioes. The management is of the opinion that weighting of three different scenarioes take into account uncertainties in the estimates used in the cash flow model and the fact that shipping is a cyclical industry.

Recoverable amount has been set based on the highest of estimated value in use and average broker values. Recoverable amount has been compared to book values. Calculated value in use for all eight vessels are in line with average broker values; no significant differences. During 2016 all eight container vessels are impaired to recoverable amount, which have resulted in recognised impairments of in total USD 60.1 million in 2016 (2015: USD 17.5 million). Book value of container vessels amounts to USD 116.1 million at 31 December 2016.

A reduction in estimated TC rate from 2017 and onwards of USD 1 000 per day would result in further impairments of approx USD 1.8 million per vessel of the newest class (six out of in total eight vessels). An increase in WACC of 1 % results in an impairment of approx USD 500-800k per vessel of the newest class.

Combination carriers
Cash flow projections for the cabu vessels over the remaining economic life of the vessels show a net present value which is higher than the booked value of the fleet (considered as one cash generating unit). Broker values are obtained, however the valuation is based on standard dry bulk vessels, not taking into account the value of specialized cabu features. No impairment has been recognized for the cabu vessels at 31 December 2016 (2015: 0).

A reduction in estimated TC rate from 2017 and onwards of USD 2 200 per day would result in value in use equal to booked values for the fleet of combination carriers. Value in use will be aligned with book value if WACC is set at 13.2%.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**2016**	**2015**
Impairment of vessels	(60 050)	(17 511)
Impairment of newbuildings (note 9)	-	(7 990)
Total impairment loss (-) / reversal	**(60 050)**	**(17 511)**

Note 9 - Newbuildings

The Group took delivery of two cabu newbuildings from Zeijiang OuHua Shipbuilding Co. Ltd. during the last four months of 2016, the third and last cabu vessel is expected to be delivered in the second quarter of 2017.

The Group also has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2018/2019. The contract includes options for further vessels. The commitments related to newbuildings are presented in note 13.

The Kamsarmax vessel MV Bavang was delivered in February 2016 (see note 3).

2016

Investments in newbuildings	Combination carriers	Dry bulk investment	Total
Cost 1.1	45 328	558	45 886
Borrowing cost	1 245	171	1 415
Yard installments paid	59 266	19 079	78 345
Other capitalized cost	4 333	145	4 478
Reallocation of supervision fee	-	194	194
Delivery of newbuildings	(78 177)	(28 141)	(106 318)
Impairment reclassed to vessels	-	7 994	7 994
Net carrying amount at 31.12.2016	**31 995**	**-**	**31 995**

2015

Investments in newbuildings	Combination carriers	Dry bulk investment	Total
Cost 1.1	21 946	5 779	27 725
Borrowing cost	618	106	724
Yard installments paid	21 462	5 340	26 802
Other capitalized cost	1 302	93	1 395
Impairment loss (-)/reversal	-	(7 990)	(7 990)
Sale of newbuilding contracts	-	(2 770)	(2 770)
Transferred to vessels under operation	-	-	-
Net carrying amount at 31.12.2015	**45 328**	**558**	**45 886**

Note 10 - Receivables

USD'000 Receivables from related parties	2016	2015
Klaveness Ship Management AS	82	57
Cabu Chartering AS	6 456	5 881
Baumarine AS	275	-
Receivables from related parties	**6 814**	**5 938**

USD'000 Other short-term receivables	2016	2015
Accrued income	-	3 408
Accrued interest income	30	3
Claims	1 890	4 448
Sale of newbuilding contracts	-	4 414
Prepaid insurance	-	1 719
Other short-term receivables	2 088	1 374
Other short-term receivables	**4 007**	**15 365**

Claims consists of insurance claims for incidents, and yard claims related to the newbuildings delivered in 2013 and 2014. No new claims have occured in 2016. Of the total claim of USD 1.9 million, USD 0.7 million is related to insurance claims, and USD 1.2 million is related to yard claims. The majority of the claims is expected to be settled in 2017.

Note 11 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2016	2015
Bank deposits, NOK	23 487	6 308
Bank deposits, USD	79 084	75 677
Bank deposits, SEK (restricted)	78	88
Cash	332	374
Total cash and cash equivalents	**102 981**	**82 447**

The equivalent of USD 0.4 million is restricted per year end (2015: USD 12.3 million).

Note 12 - Financial assets and liabilities

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

One of the Group's cross currency interest rate swap agreements was terminated in December 2016 related to the repayment of a bond loan. Book value at the termination date was USD 12.1 million. The remaining two CCIRSs, which mature in March 2020, are no longer designated as cash flow hedges. Derecogntion of hedge accounting effects P&L with negative USD 3.1 million in 2016. From December 2016, the two remaining CCIRSs are recognised at fair value with changes through profit and loss. Book value of these are negative by USD 18.0 million as of 31 December 2016 (2015: USD 20.1 million). The change in fair value during 2016 mainly relates to changes in the interest part of the CCIRSs which was transferred from other comprehensive income to income statement upon derecognition of hedge accounting.

After refinancing the bank loans for the eight container vessels, only one out of previous three IRSs qualify for hedge accounting. The interest rate swap agreements in Klaveness Container AS have a duration until 2018. Fair value of interest rate swaps which qualify for hedge accounting is USD 35k (liability) as of year end 2016 (2015: USD 100k/liability). From December 2016, the other two interest swap agreements are recognised at fair value with changes through profit and loss. Book value of these are negative by USD 25k per year end. Derecogntion of hedge accounting effects P&L with negative USD 0.1 million in 2016.

The Group has entered into further interest rate swaps which are recognised at fair value of USD 1.1 million

Non-current financial assets at 31 December

	2016	2015
Financial instruments at fair value through P&L		
Interest rate swaps	1 052	-
Financial assets	**1 052**	**-**

Non-current financial liabilities at 31 December

	2016	2015
Financial instruments at fair value through OCI		
Cross currency interest rate swap	-	33 688
Interest rate swaps	35	100
Financial instruments at fair value through P&L		
Cross currency interest rate swap	18 039	-
Interest rate swaps	2 142	1 968
Financial liabilities	**20 217**	**35 756**

Note 13 - Financial Risk Management

Capital management
The capital structure of the Group is intended to ensure financial stability for the purpose of limiting its cost of capital to reach its strategic goals. The target for the Group's capital structure states that cash should always be adequate to cover all current business, liquidity fluctuations due to market volatility and investment needs. Targets have been defined for equity ratio and minimum liquidity. The equity ratio as of 31 December 2016 was 51 % (2015: 47 %) and liquidity incl. available capacity on RCF USD 157.9 million. The Group's covenants are described in note 15.

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

The Group aims to spend free cash flows as follows:
- Investments in developing new and existing business.
- Repayment of net interest-bearing debt
- Distribution to the Group's shareholders by means of dividends.

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group and the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 15), bond loans listed at Nordic ABM (note 16), cash and cash equivalents and equity attributable to the shareholders.

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

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

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

Market risk
Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. These risks are managed through short-term/long-term time charter contracts and contracts of affreightment covering a large part of the Group's fleet capacity for neareby years.

Note 13 - Financial Risk Management (cont.)

Foreign currency risk and interest rate risk
The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of all significant entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited. Currency risk and interest rate risk exposure related to the bond issued in NOK is reduced by two cross currency interest rate swaps.

The Group has long term interest bearing debt that is exposed to floating interest rate. In order to hedge the risk, the company has entered into interest rate swaps. At year end 2016, 11 % (2015: 19 %) of the floating interest loans are hedged. Long term mortgage debt bear interest at LIBOR plus a fixed margin. The following table sets out the outstanding swapped amounts as of 31 December 2016. The Group evaluates on an ongoing basis the need to further hedge interest rate exposure. After refinancing of the bond debt in December 2016, the Group's cross currency interest rate swap (CCIRS) no longer qualify for hedge accounting.

31/12/2016

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Container RCF (SEB)	15 000	50 %	27/06/2018	1,410 %
Outstanding notional amounts	15 000			

31/12/2015

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Balao/Ballenita (SEB)	15 000	62 %	27/06/2018	1,370 %
Balsa/Baleares (DNB/Danske Bank)	7 500	54 %	24/09/2018	1,505 %
Balsa/Baleares (DNB/Danske Bank)	7 500	54 %	24/09/2018	1,437 %
Outstanding notional amounts	30 000			

As of 31 December 2016, fair value of the interest rate swaps (IRS) which qualify for hedge accounting was negative by USD 35k (2015: negative by USD 100k). Changes in the fair values of the IRS are recognized as other comprehensive income (OCI). Changes in fair value of the Group's CCIRS's have been transferred from OCI to P&L in 2016 (USD 3.1 million).
Below table sets out the split of other comprehensive income for the years ended 31 December 2016 and 2015, respectively:

Other comprehensive income / (loss) for the period, net of tax	2016	2015
Net movement fair value on interest rate swaps	8	(113)
Net movement fair value on CCIRS	3 827	(12 144)
Reclassification to profit and loss	(1 776)	10 468
Reclassification to profit and loss (derecognition hedge accounting CCIRS)	3 131	-
Reclassification to profit and loss (derecognition hedge accounting IRS)	57	-
Income tax effect	(1 320)	447
Other comprehensive income / (loss) for the period, net of tax	**3 926**	**(1 341)**

Note 13 - Financial Risk Management (cont.)

The table below shows estimated changes in profit before tax for the Group from reasonable possible changes in interest rates in 2016 and 2015, with all other variables held constant. The changes are estimated based on given capital structure as of year end.

USD '000	Change in interest rate	2016	2015
USD LIBOR	+1,00%	508	1 761
	0,50 %	254	880
	- 0,50%	(254)	(880)
	- 1,00%	(508)	(1 761)
NIBOR	+1,50%	-	111
	+ 0,75%	-	55
	- 0,75%	-	(55)
	- 1,50%	-	(111)

Counterparty/credit risk

Counterparty risk is mainly generated by contractual defaults by cargo customers (CoA's) and charterers of the vessels, leading to a financial loss. The Group is exposed to credit risk mainly from its operating activities (primarily trade receivables). The permitted exposure for each contractual partner is defined through a rating process executed by the risk department. The Group recognizes claims to the extent the Group has legal right to insurance coverage or it is virtually certain that the claim will result in cash inflows from the insurance company, a counterparty or a bankruptcy estate. Counterparty risk against insurance institutions exists. There is also counterparty risk associated with yards and vessel delivery and replacement costs thereof. Yard installments are secured with refund guarantees from top-tier Chinese banks. Further, the Group is exposed to credit risk through its deposits. Deposits are currently made with investment grade financial institutions with A rating or higher from public rating agency.

Total unrisked credit risk at year-end 2016 amounts USD 107 million (book value of receivables and bank deposits).

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfill its liabilities when they fall due.
The Group has capital commitments relating to borrowings and newbuildings. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in bank deposits. The liquidity risk is considered to be limited as the deposits, committed bank debt and estimated cash flow are considered sufficient for all needs in the forseeable future. The Group's bank financing and bonds are subject to financial and non-financial covenant clauses.The table below illustrates the timing and magnitude of the Group's financial liabilities.

Maturity profile of financial liabilities at 31 December 2016

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

Maturity profile financial liabilities at 31 Dec 2016	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests) [1)]	24 080	31 012	53 695	38 098	146 886
Bond loan (incl interests) [2)]	23 704	4 561	38 436	-	66 701
Accounts payable	874	-	-	-	874
Current debt to related parties	1 577	-	-	-	1 577
	50 235	**35 573**	**92 131**	**38 098**	**216 037**

[1)] Including loan facility for Bantry which was refinanced in March 2017.

[2)] Including KSH01 bond repaid in January 2017.

Note 13 - Financial Risk Management (cont.)

Maturity profile financial liabilities at 31 Dec 2015	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)*	79 385	35 205	8 610	15 313	138 512
Bond loan (incl interests)	5 869	45 524	66 392	-	117 785
Accounts payable	1 810	-	-	-	1 810
Current debt to related parties	874	-	-	-	874
	87 937	**80 729**	**75 002**	**15 313**	**258 981**

* Includes liabilities directly associated with the assets held for sale (USD 46 million) repaid in 2016 (< 1 year). The Bakkedal facility (USD 12.5 million) was classified as short term as per year end 2015 (<1 year).

Commitments newbuildings

The commitments related to newbuildings are set out below. The third and last combination carrier ordered at Zhejiang OuHua Shipbuilding Co. Ltd. is expected to be delivered in the second quarter of 2017. Three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China are scheduled for delivery in 2018 and early 2019.

Remaining installments at 31 December 2016	2017	2018	2019	Total
Combination carriers	45 340	72 720	33 740	151 800
Total commitments newbuildings	**45 340**	**72 720**	**33 740**	**151 800**

Note 14 - **Fair value measurement**

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

	Carrying amount		Fair value	
USD'000	2016	2015	2016	2015
Loans and receivables at amortised cost				
Accounts receivable	462	782	462	782
Receivables from related parties	6 814	5 938	6 814	5 938
Total loans and receivables	**7 276**	**6 720**	**7 276**	**6 720**
Cash and cash equivalents*	**102 981**	**82 447**	**102 981**	**82 447**
Total	**110 257**	**89 167**	**110 257**	**89 167**
Total current	110 257	89 167	110 257	89 167
Total non-current	-	-	-	-

* including restricted cash (note 11)

	Carrying amount		Fair value	
USD'000	2016	2015	2016	2015
Financial liabilities at fair value through OCI				
Derivates in effective cash flow hedges	35	33 788	35	33 788
Financial liabilities at fair value through P&L				
Other derivatives	20 181	1 968	20 181	1 968
Total financial liabilities at fair value	**20 217**	**35 756**	**20 217**	**35 756**
Other financial liabilities at amortised cost				
Accounts payable	874	1 810	874	1 810
Other financial liabilities	1 577	874	1 577	874
Interest bearing debt	129 576	159 176	131 992	159 176
Bond loan	55 423	66 073	56 621	66 345
Liabilities directly associated with assets held for sale	-	46 271	-	46 271
Total financial liabilities at amortised cost	**187 450**	**274 204**	**191 063**	**274 477**
Total	**207 666**	**309 960**	**211 280**	**310 233**
Total current	43 551	75 607	43 551	75 607
Total non-current	164 116	234 353	167 729	234 626

Note 14 - Fair value measurement (cont.)

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Since the bonds are listed on Nordic ABM (ticker KSH01 PRO, KSH03 PRO), fair value of the bonds is disclosed based on traded information. Fair value of KSH01 is based on the call price 9 December 2016. Since there has not been any transactions on KSH03 since issued 9 December 2016, fair value has been set at par value/100.
- Fair value of derivatives are basd on mark to market reports recieved from banks.

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

31/12/2016

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		1052		**1 052**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		20 181		**20 181**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	56 621			**56 621**
Mortgage debt			131 992	**131 992**
Derivatives used for hedging				
Derivates in effective cash flow hedges		35		**35**

The table below presents fair value measurements to the Group's assets and liabilities at 31 December 2015:

31/12/2015

Assets	Level 1	Level 2	Level 3	Total
No financial assets measured at fair value				-

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 968		**1 968**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	66 345			**66 345**
Mortgage debt			159 176	**159 176**
Derivatives used for hedging				
Derivates in effective cash flow hedges		33 788		**33 788**

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. During the reporting periods of 2016 and 2015, there were no transfers between any of the levels. Refer to Note 12 and 13 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 15 - Interest bearing debt and financial instruments

The below table presents the Group's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2016 and 2015, respectively. All debt except for the bond loans (NOK) are denominated in USD, ref note 16 for further information on bond loans.

As of 31 December 2016, the Group had a total of USD 185.0 million in interest bearing debt (incl capitalized fees) of which USD 143.9 million was classified as non-current debt and USD 41.1 million was classified as current debt. An overview of the loan facilities in the Group is presented below.

Mortgage debt are subject to an interest rate of LIBOR plus a margin of in range 2.00-3.10.

Loan facilities secured by the Group's eight container vessels with maturity in 2018 and 2019 were refinanced in December 2016. The new facility is a revolving credit facility secured by all eight vessels and a maximum limit of USD 84.9 million. The facility has a tenor of 4.25 years and is guaranteed by Klaveness Ship Holding AS.

50 per cent of the vessel Baffin and the newbuilding Ballard was in 2016 sold to an external company resulting in a carve-out from the USD 140 million term loan for the tranches related to the two vessels. The new USD 56 million term loan facility has a tenor of 5.25 years.

The bond loan were also refinanced in 2016 - see note 16.

Mortgage debt related to the Bantry facility falls due in March 2017, hence the facility is classified as current debt as per 31 December 2016. The loan was refinanced in March 2017.

The Group has secured financing for the three newbuildings with expected delivery in 2018/2019. The owner of the vessels, T. Klaveness Shipping AS, is the borrower and the USD 93 million post delivery term loan has a tenor of five years from drawdown.

Mortgage debt	Description	Maturity	Carrying amount	Fair value
RCF container	SEB/DNB/Danske Bank	February 2021	30 000	30 816
T. Klaveness Shipping AS	Nordea/Danske Bank	March 2022	37 481	37 625
Banasol	SEB	April 2018	6 500	6 539
Banastar	SEB	April 2018	6 500	6 538
Bantry	Danske Bank	March 2017	11 419	11 426
Bakkedal	Nordea	Sept 2021	11 375	11 478
Baffin/Ballard	Nordea/Danske Bank	March 2022	27 510	27 570
Mortgage debt 31 December 2016			**130 784**	**131 992**

2016 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	110 966	19 818	130 784
Transaction costs mortgage debt	(1 208)	-	(1 208)
Bond loan	34 700	21 283	55 982
Transaction costs bond loan	(559)	-	(559)
Total interest bearing debt	**143 899**	**41 100**	**184 999**

2015 - Interest bearing debt	Non-current	Current	Total
Mortgage debt	133 130	26 652	159 782
Transaction costs mortgage debt	(606)	-	(606)
Liabilities directly associated with the assets held for sale (note 3)	-	46 271	46 271
Bond loan	67 056	-	67 056
Transaction costs bond loan	(983)	-	(983)
Cross currency interest rate swap	33 688	-	33 688
Total interest bearing debt	**232 285**	**72 923**	**305 208**

Note 15 - Interest bearing debt and financial instruments (cont.)

The Group has undrawn committed bank facilities available at year end 2016.

USD mill	Credit	Drown up	Available
RCF Container, USD 90 million	85	30	55
Baffin/Ballard, USD 56 million*	56	28	28
T Klaveness Shipping AS, USD 93 mill*	93	-	93
Total	234	58	176

* Committed to newbuildings. Available on delivery of vessel.

Hedging

After the refinancing of bond loans and container facilities in 2016, the Group has only one interest rate swap left that qualify for hedge accounting. The interest rate swap agreement is designated as cash flow hedge to partly hedge interest rate exposure related to parts of the Group's long term mortgage debt. When interest rate swaps qualify for hedge accounting, the fair value movement is recognised in other comprehensive income until realization of the hedged transaction. Fair value of interest rate swaps which qualify for hedge accounting is USD 35k (liability) as per 31.12.2016 (2015: USD 100 k (liability)).

The Group no longer has any cross currency interest rate swap agreements that qualify for hedge acccounting. The interest rate and currency swap agreements that are not effective cash flow hedges, are recognised at fair value with changes through profit & loss (see note 13).

Covenants

The credit facilities impose restrictions which may limit or prohibit the ability for some of the entities in the Group to incur additional indebtness, sell shares in subsidiaries, commit to new capital expenditure, pay dividends, engage in mergers and de-mergers or purchase and sell vessels without the consent of the lenders (non-financial covenants). In addition, lenders may accelerate the maturity of the indebtness under financing agreements and foreclose upon the collateral securing the indebtness upon the occurence of certain events of defaults.

The credit facilities also contain financial covenants. For Klaveness Ship Holding AS on a consolidated basis has covenants related to equity of USD 125 million, minimum equity ratio of 30 % and minimum cash of USD 15 million. On other levels in the Group the covenants varies. 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 for all of its covenants at 31 December 2016.

Securities

All the Group's vessels are mortgaged and in addition the banks have assignment in earnings and insurances of the vessel and pledge over earnings accounts. Some loans have pledge in shares in single purpose entities (Baffin, Ballard, Bantry and Bakkedal).

Book value of collateral, mortgaged and leased assets	2016	2015
Vessels*	274 954	438 478
Total book value of collateral, mortgaged and leased assets	274 954	438 478

*Includes vessels held for sale

Note 16 - Bond loans

In December 2016, Klaveness Ship Holding AS (the Issuer) issued a new senior unsecured bond of NOK 300 million with maturity in May 2021 (KSH03). The bond loan has a borrowing limit of NOK 500 million, hence subsequent issues may take place over the tenor of the bond. Tap issues are conditional on the market price and on investor appetite on the date of the tap issue.

In connection with the new bond issue, the Group repaid the existing bond issues KSH02 and KSH01 in December 2016 and January 2017 respectively. Hence, total bond debt was reduced by NOK 290 million, final maturity was extended and financial covenants aligned with covenants in relevant bank facilities.

The bond loan (KSH03) is listed on Nordic ABM and has a bullet structure with no repayment until maturity in 2021. The bond loan is subject to an interest rate of 3M NIBOR plus a margin of 5.25.

Covenants are described in note 15.

Bond loan	Face value NOK'000	Year of maturity	Carrying amount (USD'000) 2016	2015
KSH03				
Original loan amount	300 000	27.05.2021	35 273	-
Exchange rate adjustment			(573)	-
Capitalized expenses			(559)	-
Total KSH03	300 000		34 141	-
KSH01				
Original loan amount	300 000	08.05.2018	52 250	52 250
Buy back	(100 000)		(17 417)	(17 417)
Buy back (Dec 2016)	(16 000)		(1 875)	-
Exchange rate adjustment			(11 676)	(12 102)
Capitalized expenses			-	(333)
Total KSH01	184 000		21 282	22 398
KSH02				
Original loan amount, fixed	300 000	20.03.2020	50 500	50 500
Original loan amount, unfixed	100 000	20.03.2020	16 828	16 828
Buy back	(10 000)		(1 355)	(1 355)
Exchange rate adjustment			(20 263)	(21 648)
Repayment (Dec 2016)	(390 000)		(45 710)	-
Capitalized expenses			-	(650)
Total KSH02	-		-	43 675
Debt as of reporting period	**484 000**		**55 423**	**66 073**

Note 17 - Commitments and guarantees

Capital commitments

The Group has capital commitments relating to borrowings and newbuildings. For information of maturity profile for mortgage debt and bond loan, see note 15 and 16. Commitments related to newbuildings are presented in note 13. Available facilities is presented in note 15.

Guarantees

Below is a list of guarantees given at 31 December 2016.

Guarantee to	Description	Amount
SEB/DNB/Danske Bank	Klaveness Ship Holding AS guarantees for RCF in Klaveness Container AS, related to the eight container vessels.	Drawn amount USD 30 million, max limit 105 million incl interest, expenses and exposures under derivatives
Jiangsu New Yangzi Shipbuilding Co. Ltd	On behalf of T Klaveness Shipping AS, 3rd and 4th Installments, shipbuilding contract YZJ2015-1222, YZJ2015-1223 and YZJ2015-1224.	USD 29.0 mill + 5 % interest
Danske Bank	T. Klaveness Shipping AS guarantees for a loan facility in Cabu V Investment Inc related to the vessel MV Bantry.	USD 18.9 mill + interest
Danske Bank/ Nordea Bank Norge	T. Klaveness Shipping AS guarantees for a Senior Secured Term loan Facility Agreement in Baffin Shipping AS and Ballard Shipping AS related to MV Baffin and MV Ballard.	Max USD 34 mill. 50% of outstanding amount at any time + interest, expenses and exposure under derivatives

Note 18 - Other liabilities

Other current liabilities	2016	2015
Accrued expenses	1 836	3 029
Crew accrued wages	997	2 469
Accrued interest	983	1 081
Other short term liabilities	1 380	1 861
Total other current liabilities	**5 196**	**8 440**

Note 19 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2016	1 000	12 000	NOK 12 million

All shares are issued and fully paid.
All shares are owned by Rederiaksjeselskapet Torvald Klaveness.

A dividend of USD 5 million was paid to the shareholder in 2016 and group contribution of USD 15.5 million was paid to Klaveness Finans AS. Klaveness Ship Holding AS will provide USD 3.9 million in group contribution without tax effect to Klaveness Finans AS (not recognised as liability as of 31 December 2016 as not yet approved by the general meeting).

Note 20 - List of subsidiaries

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

Company name	Ownership interest per 31 Dec 2016	Ownership interest per 31 Dec 2015
T Klaveness Shipping AS	100 %	100 %
Klaveness Cement Logistics AB (Sweden)	100 %	100 %
Klaveness Container AS	82,70 %	86,20 %
Klaveness Bulk AS	100 %	100 %
Banasol Inc (Liberia)	50 %	50 %
Cabu Bangor Inc. (Liberia)	100 %	100 %
Banastar Inc. (Liberia)	50 %	50 %
Cabu V Investment Inc. (Liberia)	95 %	95 %
Cabu VI Investment Inc. (Liberia)	81 %	81 %
Baffin Shipping AS	50 %	0 %
Ballard Shipping AS	50 %	0 %

The Group has a 50 % share in Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS, however the Group has power to direct the relevant activities based on contractual agreements for the main activities; chartering activity and ship-owning activity.

Note 21 - Transactions with related parties

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

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

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

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

USD'000			
Supplier	Type of agreement	2016	2015
Klaveness AS (affiliated company)	Business administration fee	(496)	(527)
Klaveness AS (affiliated company)	Commercial management fee	(3 171)	(4 492)
Klaveness Ship Management AS (affiliated company)	IT fee	(151)	(392)
Klaveness Ship Management AS (affiliated company)	Ship Mangement fee	(4 568)	(4 069)

Note 22 - Contingent liabilities

Regular claims are made against the Group as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the Group. No new provisions are recognised in 2016.

Note 23 - Events after the balance sheet date

In connection with the new bond issue, the Group repaid the existing bond issue KSH01 of NOK 184 million in January 2017 (note 16).

USD 15.0 million of the revolving credit facility for the container vessels was repaid in February 2017. After the repayment the drawn amount is USD 15.0 million and unutilised capacity is USD 69.9 million.

The loan facility for MV Bantry was refinanced in March 2017 (note 15).

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2016.

Klaveness Ship Holding AS

Income Statement

USD '000	Note	2016	2015
		Year ended 31 December	
Total operating revenue		-	-
Management fee	Note 2, 13	(199)	(299)
Other administrative services	Note 2, 13	(49)	(76)
Total operating expenses		**(248)**	**(375)**
Operating profit		**(248)**	**(375)**
Finance income	Note 3	3 257	3 150
Finance costs	Note 3	(104 324)	(44 755)
Profit/ (loss) before tax		**(101 315)**	**(41 980)**
Income tax expenses	Note 4	420	5 899
Profit/ (loss) after tax		**(100 895)**	**(36 081)**

Klaveness Ship Holding AS

Statement of Other Comprehensive Income

USD '000	Note	2016	2015
Profit of the year		**(100 895)**	**(36 081)**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on cross-currency interest rate swaps	Note 9	3 827	(12 144)
Reclassification to profit and loss of cash flow hedges		1 355	10 468
Income tax effect	Note 4	(1 366)	419
Net other comprehensive income to be reclassified to profit or loss		**3 816**	**(1 257)**
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		**3 816**	**(1 257)**
Total comprehensive income/(loss) for the period, net of tax		**(97 079)**	**(37 338)**

Klaveness Ship Holding AS

Balance Sheet Statement

		As at 31 December	
USD '000	Note	2016	2015
ASSETS			
Non current assets			
Deferred tax asset	Note 4	7 135	8 081
Investments in subsidiaries	Note 5	223 463	414 876
Loan to related parties	Note 6	74 381	-
Total non current assets		**304 979**	**422 957**
Current assets			
Loan to related parties	Note 6	-	24 227
Receivables from related parties	Note 6	176	914
Other short-term receivables		11	65
Cash and cash equivalents	Note 7	32 430	8 417
Total current assets		**32 617**	**33 624**
TOTAL ASSETS		**337 596**	**456 580**

Klaveness Ship Holding AS

Balance Sheet Statement

USD '000	Note	2016	2015
		As at 31 December	
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 8	1 817	1 817
Share premium		7 068	16 862
Other paid-in capital		-	5 585
Other reserves		346 177	342 361
Retained earnings		(116 233)	(10 338)
Total equity		**238 828**	**356 287**
Non-current liabilities			
Bond loans	Note 16 Group, Note 10, 11	34 141	66 073
Financial liabilities	Note 9, 11	18 039	33 688
Debt to related parties	Note 6	24 000	-
Total non-current liabilities		**76 180**	**99 761**
Current liabilities	Note 16 Group		
Short-term bond loan		21 283	-
Current debt to related parties	Note 6	24	107
Tax payable	Note 4	-	-
Other current liabilities		1 282	425
Total current liabilities		**22 589**	**532**
TOTAL EQUITY AND LIABILITIES		**337 596**	**456 580**

Oslo, 31 December 2016
Oslo, 29 March 2017

Lasse Kristoffersen
Chairman of the Board

Bent Martini
Board member

Liv Hege Dyrnes
Board member

Morten Skedsmo
Managing Director

Klaveness Ship Holding AS

Statement of Cash Flows

USD '000	Note	2016	2015
Profit before tax		(101 315)	(41 980)
Amortization of upfront fees and bank loans		1 027	331
Gain/loss on foreign exchange		(1 036)	(1 884)
Unrealised result financial instruments		3 550	-
Refinancing costs		1 443	-
Finance income	Note 3	(2 221)	(1 222)
Interest expenses	Note 3	5 779	6 095
Impairment shares in subsidiaries	Note 5	92 275	38 054
Tax paid for the period		-	-
Change in receivables		792	(15 122)
Change in current liabilities		774	(148)
Change in other working capital		399	(211)
Interest received	Note 3	861	1 222
A: Net cash flow from operating activities		**2 327**	**(14 865)**
Capital decrease in subsidiaries		131 636	
Capital increase in subsidiaries		(32 497)	-
B: Net cash flow from investment activities		**99 139**	**-**
Proceeds from bond loans	Note 17 Group	35 273	-
Repayment of bond loan		(48 299)	-
Terminated financial instruments		(12 708)	-
Transaction costs on issuance of bond loans	Note 17 Group	(559)	-
Interest paid	Note 3	(5 779)	(6 095)
Loan to related parties		(25 100)	-
Payments of group contribution/dividends		(20 503)	(4 794)
C: Net cash flow from financing activities		**(77 674)**	**(10 889)**
Net change in liquidity in the period (A + B + C)		23 791	(25 754)
Net foreign exchange difference		221	(86)
Net change in liquidity in the period		**24 013**	**(25 841)**
Cash and cash equivalents at beginning of period		8 417	34 258
Cash and cash equivalents at close of period	Note 7	32 430	8 417
Net change in cash and cash equivalents in the period		**24 013**	**(25 841)**

Klaveness Ship Holding AS

Statement of Changes in Equity

USD'000	Share capital	Share premium	Other paid in capital	Hedging reserves	Other reserves	Retained earnings	Total equity
Equity at 1 January 2015	**1 817**	**16 862**	**5 585**	**(2 560)**	**346 177**	**29 606**	**397 486**
Profit (loss) for the year						(36 081)	(36 081)
Other comprehensive income for the year				(1 257)			(1 257)
Total comprehensive income for the year				**(1 257)**		**(36 081)**	**(37 338)**
Net group contribution receieved/(paid) without tax effect						(1 572)	**(1 572)**
Net group contribution receieved/(paid) with tax effect						(2 184)	**(2 184)**
Currency effect group contribution						(107)	**(107)**
Equity at 31 December 2015	1 817	16 862	5 585	(3 817)	346 177	(10 338)	**356 287**
Profit (loss) for the year						(100 895)	(100 895)
Other comprehensive income for the year				3 816			3 816
Total comprehensive income for the year				**3 816**		**(100 895)**	**(97 079)**
Group contribution		(9 794)	(5 585)				**(15 379)**
Dividend payment						(5 000)	**(5 000)**
							-
Equity at 31 December 2016	1 817	7 068	0	(0)	346 177	(116 233)	**238 828**

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

Other reserves
The revaluation reserves are used to record shares in T Klaveness Shipping AS which was paid as contribution in kind measured at fair value.

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

BASIS OF PREPARATION

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

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

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

DIVIDEND INCOME/GROUP CONTRIBUTION

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

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

SHARES IN SUBSIDIARIES

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

CONTRIBUTION IN KIND

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

USE OF ESTIMATES

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

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

Note 2 - Operating expenses

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

USD '000	2016	2015
Accounting fee and other administrative fees related company (note 13)	199	299
Management fee	**199**	**299**

USD '000	2016	2015
Statutory audit	39	23
Other assurance services from auditor	6	58
Other administrative costs	4	(5)
Other administrative services	**49**	**76**

Auditor's fees are stated excluding VAT.

Note 3 - Finance income and finance costs

USD'000	2016	2015
Interest received from related parties	1 473	578
Other interest income	255	63
Guarantee fee from related parties	493	581
Other financial income	-	1
Gain / (loss) on foreign exchange	1 036	1 927
Total finance income	**3 257**	**3 150**

USD'000	2016	2015
Interest paid to related parties	93	99
Interest expenses bond loan	5 779	5 996
Impairment shares in subsidiaries (note 5)	92 275	38 054
Unrealised results financial instruments	3 550	-
Other financial expenses	2 627	607
Total finance costs	**104 324**	**44 755**

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

Note 4 - Taxes

Income tax for the year	2016	2015
Income taxes payable	-	-
Change in deferred tax	(420)	(2 015)
Adjustment correction of OCI included in tax expense prior years	-	947
Adjustment correction of last year's tax expense**	-	(4 831)
Total tax expense/(income) reported in the income statement	**(420)**	**(5 899)**
Net (gain)/loss on revaluation of cash flow hedges	1 366	(419)
Deferred tax charged to OCI	**1 366**	**(419)**

Calculation of tax payable	2016	2015
Profit/ (loss) before tax, incl OCI	(96 133)	(43 656)
Permanent differences	110 314	38 589
Change in temporary differences	(34 333)	9 471
Currency effects	(11 587)	(6 342)
Tax basis before group contribution	(31 740)	(1 938)
Income taxes payable	-	-

Reconciliation of actual tax expense against expected tax cost in accordance with the ordinary Norwegian income tax rate of 25 % (27 %)	2016	2015
Profit /(loss) before tax, incl OCI	(96 133)	(43 656)
Estimated tax at 25% (27%) statutory rate	(24 033)	(11 787)
25 % (27 %) tax on permanent differences	27 578	10 419
Exchange rate differences	(2 897)	(1 712)
Change in tax rate from 25 % to 24 %	297	646
Adjustment correction of OCI included in tax expense prior years	-	947
Adjustment correction of last year's tax expense**	-	(4 831)
Income tax expenses	**946**	**(6 318)**
***Profit and loss effect**	**(420)**	**(5 899)**
***OCI effect**	**1 366**	**(419)**
Effective tax rate	-1,0 %	14,5 %

Temporary differences - ordinary taxation	Temporary difference	2016 Tax effect	Temporary difference	2015 Tax effect
Gains and losses account	(269)	(65)	(331)	(83)
Currency gain/loss not realised	1 985	476	3 243	811
Unrealised gain/loss interest rate swaps	294	71	391	98
Unrealised gain/loss CCIRS (hedge)	-	-	(33 688)	(8 422)
Unrealised gain/loss CCIRS	(18 039)	(4 329)	-	-
Loss carried forward	(13 701)	(3 288)	(1 938)	(485)
Deferred tax liability/ asset (-) recognised in balance sheet*	**(29 730)**	**(7 135)**	**(32 323)**	**(8 081)**

*Recognised deferred tax asset is expected to be utilized in the future upon realisation of the financial asset/liability (CCIRS).

** Adjustment correction of last year's tax expense in 2015 (USD 4.8 million) relates to a deviation between tax payable in the financial statement in 2014 and tax payable according to the tax filing. Tax payable is offset by group contribution. The reversal does not have any cash flow impact.

Note 5 - Investments in subsidiaries

	Business office, country	Voting share/ ownership	Book value 31/12/2016	Book value 31/12/2015
T Klaveness Shipping AS*	Oslo, Norway	100 %	197 621	360 427
Klaveness Cement Logistics AB	Stockholm, Sweden	100 %	356	425
Klaveness Container AS	Oslo, Norway	82,7 %	14 049	53 556
Klaveness Bulk AS	Oslo, Norway	100 %	11 437	467
Investments in subsidiaries			**223 463**	**414 876**

* Shares in T Klaveness Shipping AS were paid as contribution in kind at fair value with effect as of 01.01.2013 (see note 1).

Investments in subsidiaries are recorded at cost. Impairments have been recognised for the shares in T. Klaveness Shipping AS (USD 31.2 million), Klaveness Cement Logistics AB (USD 0.1 million), Klaveness Container AS (USD 59.5 million) and Klaveness Bulk AS (USD 1.6 million) of in total USD 92.3 million (2015: USD 38 million) as estimated fair value of equity is lower than book value of the shares. Impairments are a result of weak markets in container and dry bulk which resulted in impairments of vessels in these subsidiaries with negative effect on equity.

Note 6 - Intragroup balances

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

USD'000	Relationship	2016	2015
Klaveness Container AS	Subsidiary	74 381	22 027
Klaveness Bulk AS	Subsidiary	-	2 200
Loan to related parties		**74 381**	**24 227**

Loan to Klaveness Container AS was extended in 2016. The loan has a maximum limit of USD 80 million and falls due in November 2018. Interests are calculated based on 3M LIBOR + margin and are to be paid at maturity.

USD'000	Relationship	2016	2015
Klaveness Container AS	Subsidiary	176	-
T Klaveness Shipping AS	Subsidiary	-	914
Receivables from related parties		**176**	**914**

USD'000	Relationship	2016	2015
Klaveness Ship Management AS	Related company	-	15
Klaveness AS	Related company	24	92
Current debt to related parties		**24**	**107**

USD'000	Relationship	2016	2015
T Klaveness Shipping AS	Subsidiary	15 000	-
Klaveness Bulk AS	Subsidiary	9 000	-
Current debt to related parties		**24 000**	-

Loan from related parties fall due in November 2018. Interests are calculated based on 3M LIBOR + margin and are to be paid at maturity. The loan from T Klaveness Shipping AS has a maximum limit of USD 30 million and the loan from Klaveness Bulk AS has a maximum limit of USD 10 million.

Note 7 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2016	2015
Bank deposits, NOK	23 416	6 212
Bank deposits, USD	9 014	2 205
Total cash and cash equivalents	**32 430**	**8 417**

The company has no restricted bank deposits.

Note 8 - Share capital, shareholders, dividends and reserves

	Shares	Notional	Share capital (NOK)
31.12.2016	1 000	12 000	NOK 12 million

All shares are issued and fully paid.

All shares are owned by Rederiaksjeselskapet Torvald Klaveness.

A dividend of USD 5 million was paid to shareholder in 2016 and group contribution of USD 15.5 million was paid to Klaveness Finans AS. Klaveness Ship Holding AS will provide USD 3.9 million in group contribution without tax effect to Klaveness Finans AS (not recognised as liability as of 31 December 2016 as not yet approved by the general meeting in 2017).

Note 9 Financial liabilities

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

One of the company's cross currency interest rate swap agreements was terminated in December 2016 related to the repayment of a bond loan. Book value at the termination date was USD 12.1 million. The remaining two CCIRS's, which mature in March 2020, are no longer designated as cash flow hedges. Derecogntion of hedge accounting effects P&L with negative USD 3.1 million in 2016. From December 2016, the two remaining CCIRS's are recognised at fair value with changes through profit and loss. Book value of these are negative by USD 18.0 million as of 31 December 2016.

Financial liabilities at 31 December	2016	2015
Financial instruments at fair value through OCI		
Cross currency interest rate swap	-	33 688
Financial instruments at fair value through P&L		
Cross currency interest rate swap	18 039	-
Financial liabilities	**18 039**	**33 688**

For further information on interest rate swaps and cross-currency interest rate swaps see note 10.

Note 10 - Financial risk management

Capital management
Capital management of the Company is overseen on Group level, see note 13 in the consolidated accounts of Klaveness Ship Holding AS. The Company is in compliance with all covenants as of 31 December 2016 - see note 16 in the consolidated accounts of Klaveness Ship Holding AS.

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

Foreign currency risk and interest rate risk
As of 31 December 2016, fair value of cross currency interest rate swap (CCIRS) is negative by USD 18.0 million (2015: negative by USD 33.7 million). The company no longer has any cross currency interest rate swap agreements that qualify for hedge acccounting. The interest rate and currency swap agreements that are not effective cash flow hedges, are recognised at fair value with changes through profit & loss (see note 9). Changes in fair value of the Group's CCIRS's are transferred from OCI to P&L. Below table sets out the split of other comprehensive income for the years ended 31 December 2016 and 2015.

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

Other comprehensive income	2016	2015
Net movement fair value on CCIRS	3 827	(12 144)
Net movement reclassification to profit and loss	(1 776)	10 468
Reclassification to profit and loss (derecognition hedge accounting CCIRS)	3 131	-
Income tax effect	(1 366)	419
Other comprehensive income / (loss) for the period, net of tax	**3 816**	**(1 257)**

The table below shows estimated changes in profit before tax for the company from reasonable possible changes in interest rates in 2016 and 2015, with all other variables held constant. The changes are estimated based on given capital structure as of year end.

USD '000	Change in interest rate - unsecured bond loan	2016	2015
NIBOR	+1,0%	-	102
	+0,5%	-	51
	- 0,5%	-	(51)
	- 1,0%	-	(102)

USD '000	Change in interest rate - loan to related parties	2016	2015
LIBOR	+1,00%	240	744
	+0,5%	120	372
	- 0,5%	(120)	(372)
	- 1,00%	(240)	(744)

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

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

Liquidity risk
Liquidity risk is the risk that the company may not be able to meet its obligations when they fall due. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits are considered sufficient for all needs in the forseeable future. The Company's bond loans are subject to financial and non-financial covenant clauses given on Group level (Consolidated Klaveness Ship Holding AS, see Group note 15 regarding information about covenants). The bond loan (KSH03) fall due in 2021. Due to the financial situation , debt maturity profile and liquidity reserve in the Group at year-end, liquidity risk is considered to be low. The Group as such furthermore benefits from being well diversified on funding sources.

Maturity profile presented below includes interest payments and CCIRS.

Maturity profile to financial liabilities at 31 Dec 2016	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bond loan	23 704	4 561	56 475	-	**84 740**
Long term debt related parties	994	24 994	-	-	**25 987**
Current debt to related parties	24	-	-	-	**24**
Other current liabilities	1 282	-	-	-	**1 282**
	26 004	**29 554**	**56 475**	**-**	**112 034**

Note 11 - Fair value measurement

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

	Carrying amount		Fair value	
	2016	2015	2016	2015
Loans and receivables at amortised cost				
Loan to related parties	74 381	24 227	74 381	24 227
Receivables from related parties	176	914	176	914
Total loans and receivables	**74 557**	**25 141**	**74 557**	**25 141**
Cash and cash equivalents	**32 430**	**8 417**	**32 430**	**8 417**
Total assets	**106 987**	**33 558**	**106 987**	**33 558**
Total current	32 606	33 558	32 606	33 558
Total non-current	74 381	-	74 381	-

	Carrying amount		Fair value	
	2016	2015	2016	2015
Financial liabilities at fair value				
Derivates in effective cash flow hedges	-	33 688	-	33 688
Other derivatives	18 039	-	18 039	-
Total financial liabilities at fair value	**18 039**	**33 688**	**18 039**	**33 688**
Other financial liabilities at amortised cost				
Current debt to related parties	24	107	24	107
Non-current debt related parties	24 000	-	24 000	-
Bond loan	55 423	66 073	56 621	66 345
Total other financial liabilities at amortised cost	**79 448**	**66 180**	**80 645**	**66 452**
Total liabilities	**97 486**	**99 868**	**98 684**	**100 140**
Total current	21 307	107	21 945	107
Total non-current	76 180	99 761	76 739	100 033

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transaction. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are deemed to have equal fair value and book value due to the short term maturities of these instruments.
- Since the bonds are listed on Nordic ABM (ticker KSH01 PRO, KSH03 PRO), fair value of the bonds is disclosed based on traded information. Fair value of KSH01 is based on the call price 9 December 2016. Since there has not been any transactions in KSH03 since issued 9 December 2016, fair value has been set at par value/100.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and foreign exchange forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Valuation is performed by the banks, and assessed by the company.
- Fair value of loans to/from related parties is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair value of current borrowings equals their carrying amount as the impact of discounting and differences in margin is not significant.

Note 11 - Fair value measurement (cont.)

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

31/12/2016

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	56 621			**56 621**
Derivatives		18 039		**18 039**

31/12/2015

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Bond	66 345			**66 345**
Derivatives used for hedging				
Derivatives in effective cash flow hedges		33 688		**33 688**

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. Refer to Note 9 for the disclosures of non-current and current portion of the liabilities measured at fair value.

Note 12 - Commitments and guarantees

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

Guarantees
Below is a list of guarantees provided by the company at 31 December 2016.

Guarantee to	Description	Amount
SEB/DNB/Danske Bank	Bank guarantee for RCF in Klaveness Container AS, related to the eight container vessels.	Drawn amount USD 30 million, max limit 105 million incl interest, expenses and exposures under derivatives
Jiangsu New Yangzi Shipbuilding Co. Ltd	On behalf of T Klaveness Shipping AS, 3rd and 4th Installments, shipbuilding contracts YZJ2015-1222/1223/1224.	USD 29.0 mill + 5 % interest

Note 13 - Transactions with related parties

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

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

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

Supplier	Type of agreement	2016	2015
Klaveness AS	Business administration fee	199	299

Note 14 - Events after the balance sheet date

In connection with the new bond issue, the company repaid the existing bond issue KSH01 of NOK 184 million in January 2017.

There are no events after the balance sheet date that have material effect on the financial statement as of 31 December 2016.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 29 01
www.ey.no
Medlemmer av den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Ship Holding AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Ship Holding AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2016, the statements of other comprehensive income, income statement, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements of Klaveness Ship Holding AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2016 and their financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) 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 other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that 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

Building a better
working world

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 29 March 2017
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)