Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ingri Langemyhr
Dato for fastsettelse av årsregnskapet:	29.03.2023

Grunnlag for avgivelse

År 2022: Årsregnskapet er elektronisk innlevert
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022

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, 26.06.2024

Resultatregnskap

Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Operating revenue, vessels	3	161 633 000	110 400 000
Other revenue	3	390 000	482 000
Gain on sale of vessels	7	0	4 421 000
Other incoome	3	0	1 422 000
Sum inntekter		**162 023 000**	**116 725 000**
Kostnader			
Other operating expenses, vessels	2	48 575 000	48 860 000
Depreciation	7,8	33 553 000	31 144 000
Reversal of impairment	7	-437 000	0
Group administrative services	15	1 637 000	1 146 000
Tonnage tax		188 000	214 000
Other operating and administrative expenses	2,4	89 000	217 000
Sum kostnader		**83 605 000**	**81 581 000**
Driftsresultat		**78 418 000**	**35 144 000**
Finansinntekter og finanskostnader			
Finance income	5	3 035 000	244 000
Sum finansinntekter		**3 035 000**	**244 000**
Finance costs	5	13 295 000	10 607 000
Sum finanskostnader		**13 295 000**	**10 607 000**
Netto finans		**-10 260 000**	**-10 363 000**
Ordinært resultat før skattekostnad		**68 158 000**	**24 781 000**
Ordinært resultat etter skattekostnad		**68 158 000**	**24 781 000**
Årsresultat		**68 158 000**	**24 781 000**
OCI		11 663 000	4 500 000
Sum resultatkomponenter for IFRS-foretak		11 663 000	4 500 000
Totalresultat		**79 821 000**	**29 281 000**

Resultatregnskap

Beløp i: USD	Note	2022	2021

Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Right of use assets	8	0	1 553 000
Sum immaterielle eiendeler		**0**	**1 553 000**
Varige driftsmidler			
Vessels	7	536 273 000	558 837 000
Sum varige driftsmidler		**536 273 000**	**558 837 000**
Finansielle anleggsmidler			
Long-term financial assets	12	7 525 000	1 492 000
Sum finansielle anleggsmidler		**7 525 000**	**1 492 000**
Sum anleggsmidler		**543 798 000**	**561 882 000**
Omløpsmidler			
Varer			
Inventories		1 545 000	1 302 000
Sum varer		**1 545 000**	**1 302 000**
Fordringer			
Short term financial assets		3 888 000	0
Short term receivables from related parties		23 084 000	15 054 000
Prepaid expenses		2 154 000	1 966 000
Other short term receivables		1 106 000	1 083 000
Sum fordringer		**30 232 000**	**18 103 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	54 284 000	32 018 000
Sum bankinnskudd, kontanter og lignende		**54 284 000**	**32 018 000**
Sum omløpsmidler		**86 061 000**	**51 423 000**
SUM EIENDELER		**629 859 000**	**613 305 000**

Balanse

Beløp i: USD	Note	2022	2021
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	16	298 000	298 000
Overkurs		151 340 000	151 340 000
Sum innskutt egenkapital		**151 638 000**	**151 638 000**
Opptjent egenkapital			
Retained earnings		217 902 000	168 085 000
Sum opptjent egenkapital		**217 902 000**	**168 085 000**
Sum egenkapital		**369 540 000**	**319 723 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14	156 534 000	249 993 000
long-term lease			1 008 000
financial liabilities			1 973 000
Sum annen langsiktig gjeld		**156 534 000**	**252 974 000**
Sum langsiktig gjeld		**156 534 000**	**252 974 000**
Kortsiktig gjeld			
Short term mortgage dept	14	92 769 000	23 936 000
Current debt to related parties	15	1 651 000	7 257 000
Leverandørgjeld		1 878 000	2 613 000
Short term lease liabilities	8	0	618 000
Tonnage tax payable	6	193 000	220 000
Other current liabilities		7 295 000	5 963 000
Sum kortsiktig gjeld		**103 786 000**	**40 607 000**
Sum gjeld		**260 320 000**	**293 581 000**
SUM EGENKAPITAL OG GJELD		**629 860 000**	**613 304 000**

Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2022 - GENERELL INFORMASJON

Journalnummer:	2023 413523

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2022 - 31.12.2022

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Ingri Langemyhr
Dato for fastsettelse av årsregnskapet:	29.03.2023

Grunnlag for avgivelse

År 2022: Årsregnskap er elektronisk innlevert.
År 2021: Tall er hentet fra elektronisk innlevert årsregnskap fra 2022.

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, 31.05.2023

Brønnøysundregistrene
Postadresse: Postboks 900, 8910 Brønnøysund
Telefon: 75 00 75 00
E-post: firmapost@brreg.no Internett: www.brreg.no
Organisasjonsnummer: 974 760 673

Organisasjonsnr: 963 109 288
KCC SHIPOWNING AS

RESULTATREGNSKAP

Beløp i: USD	Note	2022	2021
RESULTATREGNSKAP			
Inntekter			
Operating revenue, vessels	3	161 633 000	110 400 000
Other revenue	3	390 000	482 000
Gain on sale of vessels	7	0	4 421 000
Other incoome	3	0	1 422 000
Sum inntekter		**162 023 000**	**116 725 000**
Kostnader			
Other operating expenses, vessels	2	48 575 000	48 860 000
Depreciation	7,8	33 553 000	31 144 000
Reversal of impairment	7	-437 000	0
Group administrative services	15	1 637 000	1 146 000
Tonnage tax		188 000	214 000
Other operating and administrative expenses	2,4	89 000	217 000
Sum kostnader		**83 605 000**	**81 581 000**
Driftsresultat		**78 418 000**	**35 144 000**
Finansinntekter og finanskostnader			
Finance income	5	3 035 000	244 000
Sum finansinntekter		**3 035 000**	**244 000**
Finance costs	5	13 295 000	10 607 000
Sum finanskostnader		**13 295 000**	**10 607 000**
Netto finans		**-10 260 000**	**-10 363 000**
Ordinært resultat før skattekostnad		**68 158 000**	**24 781 000**
Ordinært resultat etter skattekostnad		**68 158 000**	**24 781 000**
Årsresultat		**68 158 000**	**24 781 000**
OCI		11 663 000	4 500 000
Sum resultatkomponenter for IFRS-foretak		11 663 000	4 500 000
Totalresultat		**79 821 000**	**29 281 000**

Organisasjonsnr: 963 109 288
KCC SHIPOWNING AS

BALANSE

Beløp i: USD	Note	2022	2021
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Right of use assets	8	0	1 553 000
Sum immaterielle eiendeler		**0**	**1 553 000**
Varige driftsmidler			
Vessels	7	536 273 000	558 837 000
Sum varige driftsmidler		**536 273 000**	**558 837 000**
Finansielle anleggsmidler			
Long-term financial assets	12	7 525 000	1 492 000
Sum finansielle anleggsmidler		**7 525 000**	**1 492 000**
Sum anleggsmidler		**543 798 000**	**561 882 000**
Omløpsmidler			
Varer			
Inventories		1 545 000	1 302 000
Sum varer		**1 545 000**	**1 302 000**
Fordringer			
Short term financial assets		3 888 000	0
Short term receivables from related parties		23 084 000	15 054 000
Prepaid expenses		2 154 000	1 966 000
Other short term receivables		1 106 000	1 083 000
Sum fordringer		**30 232 000**	**18 103 000**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents	11	54 284 000	32 018 000
Sum bankinnskudd, kontanter og lignende		**54 284 000**	**32 018 000**
Sum omløpsmidler		**86 061 000**	**51 423 000**
SUM EIENDELER		**629 859 000**	**613 305 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital	16	298 000	298 000
Overkurs		151 340 000	151 340 000

Sum innskutt egenkapital		**151 638 000**	**151 638 000**
Opptjent egenkapital			
Retained earnings		217 902 000	168 085 000
Sum opptjent egenkapital		**217 902 000**	**168 085 000**
Sum egenkapital		**369 540 000**	**319 723 000**
Gjeld			
Langsiktig gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	14	156 534 000	249 993 000
long-term lease			1 008 000
financial liabilities			1 973 000
Sum annen langsiktig gjeld		**156 534 000**	**252 974 000**
Sum langsiktig gjeld		**156 534 000**	**252 974 000**
Kortsiktig gjeld			
Short term mortgage dept	14	92 769 000	23 936 000
Current debt to related parties	15	1 651 000	7 257 000
Leverandørgjeld		1 878 000	2 613 000
Short term lease liabilities	8	0	618 000
Tonnage tax payable	6	193 000	220 000
Other current liabilities		7 295 000	5 963 000
Sum kortsiktig gjeld		**103 786 000**	**40 607 000**
Sum gjeld		**260 320 000**	**293 581 000**
SUM EGENKAPITAL OG GJELD		**629 860 000**	**613 304 000**

Organisasjonsnr: 963 109 288
KCC SHIPOWNING AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
1

Regnskapsprinsipper
Se financial statements 2022, note 11

Note

Antall årsverk i regnskapsåret
0.00

Sum	Beløp

Balanseført verdi 31.12.	Varige driftsmidler	Immaterielle eiend.

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen

Konsern, tilknyttet selskap m.v. - fordringer og gjeld

Fordringer

Samlet beløp - tilknyttet selskap	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - foretak i samme konsern	Årets	Fjorårets

Samlet beløp - felles kontrollert virksomhet	Årets	Fjorårets

Pantstillelse	Beløp

Beholdning av egne aksjer	Antall	Pålydende	Andel av aksjek.

Note

Lån og sikkerhetsstillelse til medlemmer
Er det gitt lån eller sikkerhetsstillelse til ledende personer: Nei

Opplysninger om: **Medlemmer av:**

Mer om lån og sikkerhetsstillelse

Admincontrol

List of Signatures

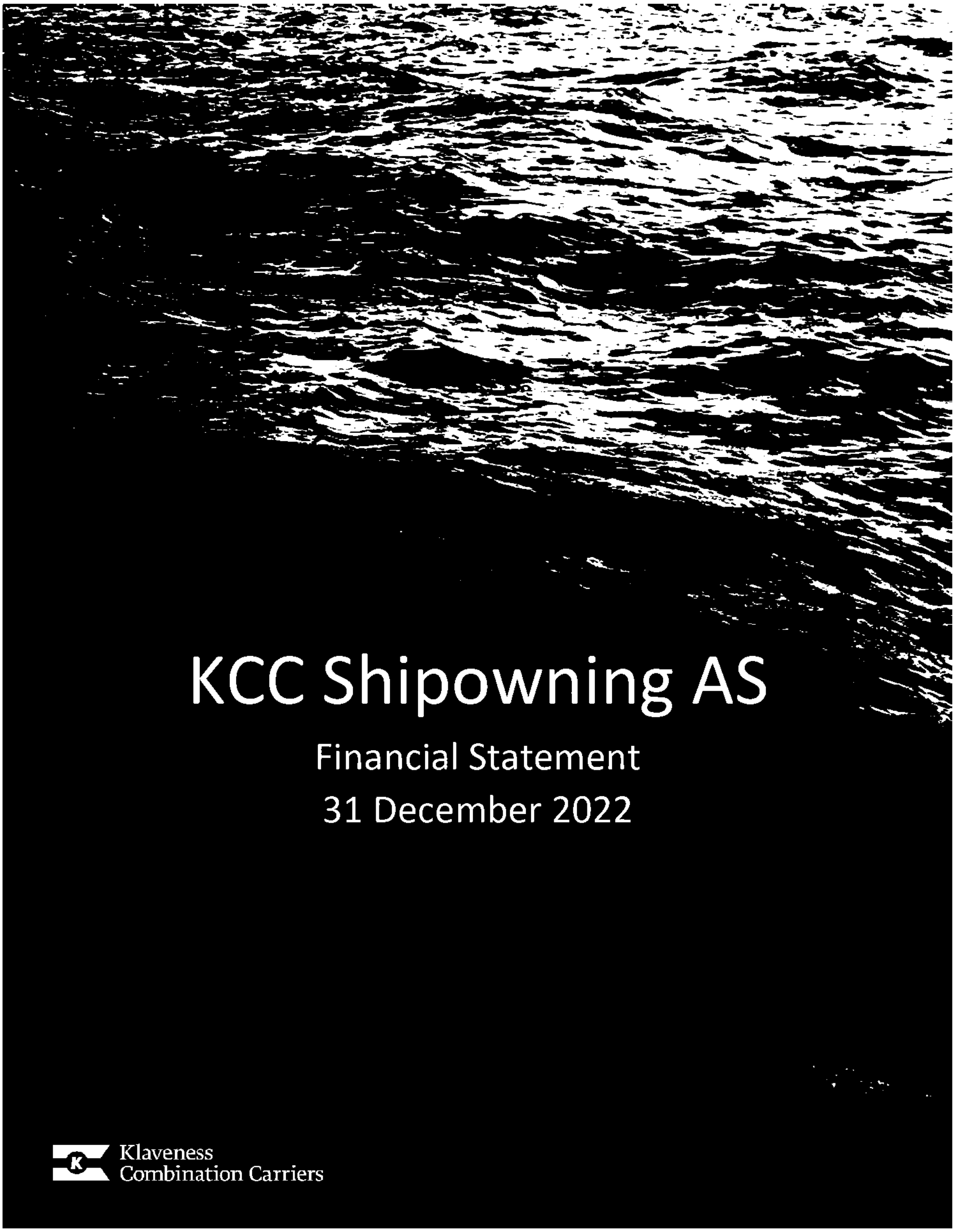
Page 1/1

KCC Shipowning AS Financial Statements 2022.pdf

Name	Method	Signed at
MEYER, ERNST ANDRÉ	BANKID_MOBILE	2023-03-29 23:16 GMT+02
Dahm, Engebret	BANKID	2023-03-29 20:16 GMT+02
Dyrnes, Liv Hege	BANKID_MOBILE	2023-03-29 19:55 GMT+02
Andreassen, Gøran	BANKID_MOBILE	2023-03-29 16:14 GMT+02

This file is sealed with a digital signature. The seal is a guarantee for the authenticity of the document.

External reference: 094B4D0CB6C14C11AED923D345D75641



KCC Shipowning AS

Financial Statement

31 December 2022

Klaveness
Combination Carriers

KCC SHIPOWNING AS

BOARD OF DIRECTORS' REPORT 2022

KCC Shipowning AS ("KCCS" or the "Company") was incorporated 1 January 1992 and is owned by Klaveness Combination Carriers ASA (97%) and KCC Chartering AS (3%). KCCS is located in Oslo, Norway. The Company's main activity is shipping investments in combination carriers. As per year-end 2022, the Company's fleet consisted of eight CABU and eight CLEANBU combination carriers. The CABU vessels have capacity to transport caustic soda (CSS), liquid fertilizer (UAN) and molasses as well as all dry bulk commodities. The CLEANBU vessels are both fully fledged LR1 product tankers and Kamsarmax dry bulk vessels. The vessels owned by the Company are managed by the chartering company KCC Chartering AS (affiliated company) covering chartering and vessel operation. KCC Shipowning AS is subject to the Norwegian tonnage tax system.

Key development 2022 and future priorities

KCC Shipowning AS delivered a record strong financial result for 2022 and yet again demonstrated the value of flexibility and diversification through its combination carrier concept.

The CABU fleet delivered the highest time charter earnings since 2011 on the back of high caustic soda solution (CSS) volumes, a strong dry bulk market in the first half of the year and strengthening fuel prices through the year.

The CLEANBU fleet continued to expand the number of customers and trades in its first year with a full fleet in operation. As s a result, the CLEANBU fleet's trading efficiency improved substantially increasing the share of days in combination trades and reducing time in ballast. Furthermore, the strong recovery in the tanker market and historically high fuel prices supported time charter earnings for the fleet, the highest since the introduction of the vessels.

The fleet experienced no major or medium injuries or accidents in 2022. The impact on crew and vessel operations from COVID-19 related restrictions eased compared to the prior two years.

The Company's positive trend has continued into 2023 with conclusion of several tanker contracts during Q4 2022 and early 2023 securing a strong base for 2023. The concluded caustic soda shipping contracts for 2023, including expected additional caustic soda shipments, cover the full CABU fleet's capacity in tanker mode in 2023. Approximately 75% of booked caustic soda shipments for 2023 are fixed-rate contracts with average TCE earnings around 2.5 times the average TCE earnings for the caustic soda solution shipments in 2022 and a two-years product tanker time charter contract was in February 2023 fixed for one of the CLEANBU vessels.

The business

ESG

The Company's main priority is to keep the crew safe, and any injury or loss of lives is unacceptable. 2022 was a strong safety year for the KCC fleet, with zero major or medium injuries[1] or vessel accidents.

Through the COVID-19 pandemic priority number one has been to avoid crew from being infected and KCC has through 2022 continued to test and quarantine crew prior to embarking. Three vessels experienced infection on board in 2022, without serious symptoms. By year-end 2022, 100% of the crew on board KCCS's vessels were fully vaccinated. Focus continued during 2022 to repatriate crew at the end of their service

[1] Major injuries = fatality or permanent disability preventing return to work, medium injuries = medical treatment and repatriation, will return to work

period without delays. No crew had per year-end 2022 been onboard for more than 12 months, and the share of the crew being on extended contract had fallen to 4.5% at the end of the year compared to 13% at the end of 2021.

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

In relation to the Transparency Act which came into force 1 July 2022, the Company together with the other companies in the KCC ASA Group, has evaluated and made some minor adjustments to its Code of Conduct and Counterparty Code of Conduct. KYC Procedures and contract clauses with counterparties and suppliers were as well amended to ensure compliance with the legislation. The KYC Procedures, procedures for further due diligence and measures to stop, mitigate or prevent were updated based on a risk assessment. The Transparency Act report is published as part of the ESG Performance Report for 2022 for Klaveness Combination Carriers ASA which can be found on the website www.combinationcarriers.com.

CABU

By year-end 2022, the CABU combination carrier fleet consisted of eight vessels. The CABU service to/from Brazil was terminated from the end of 2021 mainly because of decreasing north bound dry bulk volumes over the last years and all eight vessels where from May 2022 employed in trades to/from Australia, where the CABU fleet over time has generated the highest earnings.

Despite continued scheduling challenges through the year with port congestion in the Far East and negative effects of continued COVID-19 restrictions and a tight CSS market, the share of days in main combination trades ended at 80% for 2022, up from 69% in 2021, mainly due to a record high number of caustic soda (CSS) cargoes transported in 2022.

Three vessels were dry-docked in 2022 with in total 114 scheduled off-hire days. Unscheduled off-hire ended at 104 days, up from 46 days in 2021, driven by COVID-19 infection onboard one vessel, an operational incident, crew changes and some minor technical incidents and operational down time.

The CABU wet capacity is to a high degree allocated to freight contracts with long-term COA customers. The caustic soda solution volume exposure for 2023 has been secured, with close to 75% fixed rate at approximately 2.5 times higher rates than wet TCE earnings for the CABU fleet for 2022.

CLEANBU

2022 was the first full year with the entire CLEANBU fleet in operation after the three last vessels in the newbuild program were delivered during 2021.

The primary focus in 2022 was to expand the customer base and employ the vessels in efficient combination trades. The number of trades, terminals, cargoes, and customers increased throughout 2022. The contract of affreightment (COA) secured in 2021 was renewed in 2022 with an additional COA secured in January 2023, both contracts with large and reputed customers in the industry. KCCS continued to make good headway in its CLEANBU concept illustrated through the share of days in combination trade increasing from 66% in 2021 to 87% in 2022 and ballast in percent of total on-hire days improving from 18% in 2021 to 13% in 2022.

One vessel completed guarantee repairs in 2022 with 87 off-hire days, partly covered by loss of hire insurance. The fleet had 18 unscheduled off-hire days in 2022 mainly related to the repair of a pump on one vessel and crew changes.

Market development
Earnings of KCCS's combination carriers are driven by the Panamax dry bulk market, MR[2] and LR1[3] product tanker markets and fuel markets.

Freight rates for global seaborne transportation are highly volatile and cyclical. The demand for global seaborne transportation depends on global economic growth, and in particular the development in the energy and commodities markets. In 2022 the dry bulk earnings fell compared to 2021 as fleet inefficiencies subsided and demand cooled off. Product tankers on the other hand delivered the strongest year on record, driven by strong demand growth, strong refining margins and disruptions from the war in Ukraine.

Although the 2023 outlook remains uncertain in the face of a slowdown in global economic activity, there are several potential positive catalysts for freight markets. Amongst others very low orderbooks limiting supply growth, China reopening after the pandemic and EU ban on Russian petroleum products imports.

Dry bulk
Panamax spot dry bulk market had a strong start of the year with earnings (P5TC)[4]5 of $24,798/day during first half 2023, weakening substantially to $16,590/day in second half of the year. Average spot Panamax earnings averaged $20,663/day in 2022, down from 2021 but still at very healthy levels. The global dry bulk demand growth decelerated from 3.4% in 2021 to minus 1.9% in 2022 according to Clarksons Research, while the nominal growth in the dry bulk fleet was 2.8% in 2022, down from 3.6% in 2021.

Going into 2023 the dry bulk markets were at the weakest levels since 2020. According to Clarksons, the dry bulk markets are expected to improve through 2023, but to remain at more moderate levels than seen in 2021 and 2022. Both vessel demand (tonne-miles) and supply are expected to grow about 2% while the fleet inefficiencies of 2021 and 2022 have largely been unwounded.

The demand side is expected to face pressure from deceleration in global economic activity, continued challenges in the Chinese economy and negative impacts from the war in Ukraine. The COVID-19 reopening of the Chinese economy in early 2023, however, give glimmer of hope both for the global economy and the dry bulk markets.

Product tanker
The product tanker market delivered its best year on record according to Clarksons Research Average Tanker Earnings Index. The 2022 average LR1 tanker earnings[6] ended at around $32,000/day, compared to $10,600/day in 2021. Product tanker demand increased by 3.4% from 2021 to 2022 and demand has grown beyond pre-pandemic levels. Several factors have contributed to the strong rate environment. Firstly, the demand for refined petroleum products has improved as COVID-19 restrictions continued to ease throughout the globe combined with low inventory levels, leading to strong refinery margins and utilization rates. Secondly, the disruptions of sourcing and trading caused by Russia's invasion of Ukraine have likely contributed to increased tonne-mile demand and ballasting for the product tanker fleet.

Oil consumption in 2022 is estimated at around 99.4mn bbl/day, 2.3% higher than in 2021. The growth in oil consumption is estimated to grow by around 1% in 2023.

The outlook for the product tanker market remains strong with low fleet growth and solid demand growth. According to Clarksons, the Product tanker demand is expected to continue to grow in 2023 driven by longer sailing distances due to recent refinery closures in Australia and Europe while refinery start-ups are expected to increase exports from Middle East Gulf and India, and Chinese products exports are expected to increase due to higher export quotas. The EU ban on Russian products imports is expected to further

[2] Average MR TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[3] Average LR1 TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[4] Kamsarmax, source: Baltic Exchang

[6] Source: Clarksons Shipping Intelligence Network

increase sailing distances as the EU will need to replace short-sea imports from Russia with longer distance imports.

Clarksons expects product tanker demand to grow 9% in 2023. On the supply side the product tanker orderbook is limited with a book-to-fleet ratio at around 5% and supply is expected to grow only marginally.

Fuel prices[7]
Oil prices increased by 20% in 2022 from around USD 72/bbl to around USD 86/bbl after a volatile year where oil traded as high as around USD 107/bbl in periods. Price strength and volatility were driven by improved demand as well as supply disruptions in connection to the war in Ukraine. Average VLSFO prices ended at around USD 750/mt in 2022 compared to USD520/mt 2021.

Risk and risk management
It is important for the Board of Directors that the right risk reward assessment is made and that the internal control routines are good. Risk assessment, monitoring and implementation of mitigating actions are a part of the Company's daily activities and on a quarterly basis the Board will be presented with a risk assessment report. A probability and impact matrix is used to identify risks and based on this assessment mitigating actions are outlined for the main risks. Risks related to vessel technical operation and crew safety are assessed, monitored and handled by the ship manager, Klaveness Ship Management AS.

Below is a list of some of the principal risks identified that may affect business operations, reputation, financial condition, results of operations, and ultimately the share price. A description of the risks can be found in note 16 to the Financial Statements for 2022. Please be reminded that the risk picture will change over time.

- Volatile freight rates and unfavourable changes in trade flows and volumes, either structurally or due to events such as the impact of the Russian invasion of Ukraine on the market
- Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks, including but not limited to building performance of the yard, trades and brand in the clean petroleum market and obtaining acceptance and/or exemptions from clients and terminals to operate in combination trades where the vessels trade consecutively with dry bulk and clean petroleum product (CPP) cargoes
- Increased risk to vintage tonnage due to stricter emissions regulations (e.g. CII and EEXI) and customer requirements
- The Company will retrofit two vessels with shaft generator and air lubrication systems. Success depends on the ability to deliver on retrofit/energy saving device projects at the budgeted cost and time, and that the projects deliver the estimated fuel/energy savings

In a longer-term perspective, the current assessment includes the following risks. A description of the risks can be found in note 16 to the Financial Statements for 2022 and in the climate-related risk chapter in the ESG Performance Report for 2022:

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

Net result and financial position

Total operating revenue for 2022 was USD 162.0 million (2021: USD 110.9 million) and operating expenses, vessels amounted to USD 48.6 million (2021: USD 48.9 million). The increase in revenue is mainly due to stronger tanker rates and more on-hire days from a full CLEANBU fleet in operations. Average TCE earnings[8] of $29,764/day for the fleet in 2022 is up 42 % from $20,961/day in 2021.

[7] Source: Bloomberg and Clarksons SIN

[8] Average TCE earnings is an alternative Performance Measure (APM); see reconciliation in published KCC ASA Q4 2022 report appendix 1 (page 26) (combinationcarriers.com).

Operating profit before depreciation was USD 111.5 million for 2022 (2021: 66.3 million). Net financial items were negative by USD 10.3 million in 2022 quite stable compared to USD 10.4 million in 2021. Net profit after tax was USD 68.2 million for 2022 (2021: USD 24.8 million).

Total assets increased by USD 16.6 million in 2022 from USD 613.3 million at year-end 2021 to USD 629.9 million at year-end 2022. The main reasons for the increase are a higher cash position and increased receivables, somewhat offset by a lower book value of vessels due to depreciation. Total interest-bearing debt ended at USD 249.3 million at the end of 2022, down from USD 273.9 million at year-end 2021, reflecting ordinary debt repayments. Total equity ended at USD 369.5 million at year-end 2022, an increase of USD 49.8 million during the year (2021: USD 319.7 million) following strong financial results net of paid dividends. The equity ratio ended at 59 % per year-end 2022, up from 52 % per year-end 2021.

Cash and bank deposits were USD 54.3 million by the end of 2022, up from USD 32.0 million at year-end 2021. The cash flow from operating activities was USD 98.1 million in 2022 (2021: USD 64.9 million), while cash flow from investing activities was negative USD 10.2 million (2021: negative USD 108.3 million). The cash flow from financing activities was negative USD 65.6 million (2012: positive USD 33.6 million) which mainly consists of loan installments, interest payments and dividends paid.

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

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

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

Subsequent events

In March 2023, the CLEANBU vessel, MV Bass was sold from KCC Shipowning AS to KCC Bass AS (100 % owned by Klaveness Combination Carriers ASA). The sales price was made on arm's length terms based on observable and comparable prices for standard vessels adjusted for CLEANBU features and based on a discounted cash flow model. KCC Bass AS and KCCS are co-borrowers in the bank debt facility and one of the bank loan tranches were transferred to KCC Bass AS. KCCS as well distributed dividends used to capitalize KCC Bass AS.

There have been no other major transactions or events following the closing date that would have a negative impact on the evaluation of the financial position of KCC Shipowning AS as per 31 December 2022.

The Board of Directors of KCC Shipowning AS

~~Oslo, 31 December 2022~~
29 March 2023

Ernst A. Meyer Chair of the Board	Liv Hege Dyrnes Board Member
Gøran Andreassen Board Member	Engebret Dahm CEO

KCC Shipowning AS

Income Statement

(USD '000)	Notes	2022	2021
		Year ended 31 December	
Operating revenue, vessels	3	161 633	110 400
Other revenue	3	390	482
Total operating revenue		**162 023**	**110 883**
Gain on sale of vessels	7	-	4 421
Other income	3	-	1 422
Operating expenses, vessels	2	(48 575)	(48 860)
Group administrative services	15	(1 637)	(1 146)
Tonnage tax		(188)	(214)
Other operating and administrative expenses	2,4	(89)	(217)
Operating profit before depreciation		**111 534**	**66 288**
Depreciation	7, 8	(33 553)	(31 144)
Reversal of impairment	7	437	-
Operating profit after depreciation		**78 418**	**35 144**
Finance income	5	3 035	244
Finance costs	5	(13 295)	(10 607)
Profit before tax		**68 158**	**24 781**
Income tax expenses	6	-	-
Profit for the year		**68 158**	**24 781**

Statement of Other Comprehensive Income

(USD '000)	Note	2022	2021
Net profit/ (loss)		**68 158**	**24 781**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value interest rate swaps		11 663	4 500
Other comprehensive income/(loss) for the period, net of tax		**11 663**	**4 500**
Total comprehensive income/(loss) for the period, net of tax		**79 821**	**29 281**

KCC Shipowning AS

Statement of Financial Position

		As at 31 December	
(USD '000)	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Vessels	7	536 273	558 837
Newbuilding contracts	9	-	-
Right of-use assets	8	-	1 553
Long-term financial assets	12	7 525	1 492
Total non-current assets		**543 798**	**561 882**
Current assets			
Short-term financial assets	12	3 888	-
Inventories		1 545	1 302
Short- term receivables from related parties	15	23 084	15 054
Prepaid expenses		2 154	1 966
Other short-term receivables	10	1 106	1 083
Cash and cash equivalents	11	54 284	32 018
Total current assets		**86 060**	**51 423**
TOTAL ASSETS		**629 859**	**613 305**

KCC Shipowning AS

Statement of Financial Position

		As at 31 December	
(USD '000)	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	16	298	298
Share premium		151 340	151 340
Retained earnings		217 902	168 085
Total equity		**369 540**	**319 723**
Non-current liabilities			
Mortgage debt	14	156 534	249 993
Long-term lease liabilities	8	-	1 008
Financial liabilities	12	-	1 973
Total non-current liabilities		**156 534**	**252 975**
Current liabilities			
Short-term mortgage debt	14	92 769	23 936
Accounts payable		1 878	2 613
Current debt to related parties	15	1 651	7 257
Short-term lease liabilities	8	-	618
Tonnage tax payable	6	193	220
Other current liabilities		7 295	5 963
Total current liabilities		**103 785**	**40 608**
TOTAL EQUITY AND LIABILITIES		**629 859**	**613 305**

Oslo, 31 December 2022
Oslo, 29 March 2023

Ernst Meyer Chair of the Board	Gøran Andreassen Board member
Liv Hege Dyrnes Board member	Engebret Dahm CEO

KCC Shipowning AS

Statement of Changes in Equity

	Attributable to equity holders of the parent			
	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2020	**298**	**151 340**	**138 811**	**290 448**
Profit (loss) for the year			24 781	24 781
Other comprehensive income for the year			4 500	4 500
Total comprehensive income for the year			**29 281**	**29 281**
Equity at 31 December 2021	**298**	**151 340**	**168 085**	**319 723**
Profit (loss) for the year			68 158	68 158
Other comprehensive income for the year			11 663	11 663
Total comprehensive income for the year			**79 821**	**79 821**
Dividends			(30 000)	(30 000)
Equity at 31 December 2022	**298**	**151 340**	**217 902**	**369 540**

KCC Shipowning AS

Statement of Cash Flows

(USD '000)	Note	31 Dec 2022	31 Dec 2021
Profit before tax		68 158	24 781
Tonnage tax expensed	6	188	214
Gain on sale of vessels	7	-	(4 421)
Depreciation	7	33 553	31 144
Reversal of impairment		(437)	-
Amortization of upfront fees bank loans		786	629
Gain (-)/ loss on foreign exchange	4	(11)	11
Financial derivatives unrealised loss / gain (-)	4	(232)	82
Gain related to modification of debt		(1 175)	-
Interest income	4	(1 617)	(244)
Interest expenses	4	12 196	9 884
Taxes paid for the period		(220)	(175)
Change in receivables		(8 240)	(2 433)
Change in current liabilities		(6 196)	5 554
Change in other working capital		(237)	(415)
Interest received		1 617	244
A: Net cash flow from operating activities		**98 132**	**64 856**
Acquisition of tangible assets *	7	(10 238)	(16 964)
Installments and cost on newbuilding contracts	9	-	(105 322)
Repayments from related parties		-	429
Cash proceeds from sale of vessels	7	-	13 800
Transaction costs related to sale of vessels		-	(212)
B: Net cash flow from investment activities		**(10 238)**	**(108 270)**
Proceeds from borrowings	14	27 000	169 000
Transaction costs on issuance of loans	14	(187)	(1 944)
Repayment of borrowings	14	(51 050)	(123 041)
Interest paid	5	(11 010)	(9 774)
Repayment of financial lease liabilities	8	(382)	(579)
Dividends		(30 000)	-
C: Net cash flow from financing activities		**(65 628)**	**33 662**
Net change in liquidity in the period (A + B + C)		**22 266**	**(9 752)**
Cash and cash equivalents at beginning of period		32 018	41 770
Cash and cash equivalents at end of period	11	54 284	32 018
Net change in cash and cash equivalents in the period		**22 267**	**(9 752)**

* The intercompany seller's credit related to the internal repurchase of MV Barracuda for an amount of USD 51.4 million from KCC KBA A is excluded from the cash flow from investment activities. See note 7 and 15 for gross value of the transactions.

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

CORPORATE INFORMATION

KCC Shipowning AS ("The Company"/"KCCS") is a private limited company domiciled and incorporated in Norway. The Company is headquartered and is registered in Drammensveien 260, 0283 Oslo. The financial statements of KCC Shipowning AS for the period ended 31 December 2022 were authorized by the Board of Directors on 29 March 2023.

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

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

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements are prepared under the going concern assumption.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

The areas in which The Company is particularly exposed to material uncertainty over the carrying amounts as at the end of 2022 are included within the individual note outlined below:

Note 7 – Useful life, residual value, cash-generating units and impairment testing

FUNCTIONAL AND PRESENTATION CURRENCY

NOTE 1 ACCOUNTING POLICIES | KCC SHIPOWNING AS

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

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was 9.6197 USD/NOK in 2022 (2021: 8.5973). At 31 December 2022 an exchange rate of USD/NOK 9.9066 (2021: 8.8363) was used for the valuation of balance sheet items.

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

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

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for 2022.

The Company has early adopted amendments to IAS 1 and IFRS Practice Statement 2 regarding disclosure of material accounting policy information instead of significant accounting policies.

There was no material impact of new accounting standards or amendments adopted in the period.

The Company has not early adopted other than above mentioned mandatory amendments and interpretations to existing standards that have been published and are relevant to the Company's annual accounting periods beginning on 1 January 2023 or later periods.

Note 2 - Operating expenses

(USD '000)	2022	2021
Technical expenses	9 200	13 935
Crew costs	23 418	24 465
Insurance	3 366	2 993
Crewing agency fee to Klaveness Ship Management AS (note 15)	1 565	1 458
Ship management fee to Klaveness Ship Management AS (note 15)	3 819	3 950
IT fee to Klaveness AS	-	81
Other operating expenses	7 295	2 195
Total operating and administrative expenses	**48 663**	**49 077**

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

COVID-19 has impacted operating costs in 2022 and 2021 with higher crew costs, forwarding costs for spare parts and bunkers costs during off-hire due to deviations or time in quarantine for crew change. Higher than normal costs due to COVID-19 are estimated to be approximately USD 1.7 million in 2022 (2021: USD 3.7 million). COVID-19 costs in 2021 were higher mainly due to challenges related to delivery of three newbuildings during the pandemic.

Note 3 - Revenue from contracts with customers

Disaggregated revenue information

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

Revenue types (USD'000)	Classification	2022	2021
Revenue from TC contracts	Charter hire revenue	161 633	110 400
Other revenue	Other revenue	390	482
Total revenue, vessels		**162 023**	**110 883**
Gain on sale of vessels (note 7)	Gain on sale of vessels	-	4 421
Other income	Other income	-	1 422
Total other income		**-**	**5 843**

Other revenue of USD 0.4 million in 2022 (2021: USD 0.5 million) is related to off-hire compensation for guarantee work on the CLEANBU vessels.

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

Accounting policy

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

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

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

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

Note 4 - Other operating and administrative expenses

The Company has no employees, and as such no wage expenses or pension liabilities have been occurred in 2022. Management services are acquired from Klaveness Combination Carriers ASA, where the managing director is employed. Members of the Board of Directors are employees of other companies within Rederiaksjeselskap Torvald Klaveness (RASTK). No special remuneration has been paid to the members of the Board of Directors, as such positions are a part of their regular employment.

Remuneration to the auditor

(USD'000)	2022	2021
Statutory audit	26	52
Other assurance services	1	2
Total expensed audit fee	**27**	**54**

Auditor's fees are stated excluding VAT.

Note 5 - Finance income and finance costs

(USD'000)	2022	2021
Interest received from related parties	49	222
Other interest income*	1 568	22
Other financial income	1 175	-
Fair value interest rate swaps	232	-
Gain on foreign exchange	11	-
Total finance income	**3 035**	**244**

(USD'000)	2022	2021
Interest expenses mortgage debt	11 453	8 889
Interest expenses lease liabilities	-	102
Other financial expenses	1 242	763
Financial expenses to related parties	601	760
Fair value interest rate swaps	-	82
Loss on foreign exchange	-	11
Total finance costs	**13 295**	**10 607**

*Other interest income is a gain related to the modification of a debt facilility. See note 14.

Note 6 - Taxes

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

Ordinary taxation
The ordinary rate of corporation tax in Norway is 22 % for 2022 (2021: 22 %).

(USD '000) A. TAX EXPENSE	31 Dec 2022	31 Dec 2021
Tax payable	-	-
Change deferred tax / deferred tax asset	-	-
Total tax expense/(income) reported in the income statement	**-**	**-**
Tax net gain /loss on revaluation of cash flow hedges	-	-
Tax effects in other comprehensive income	-	-
Deferred tax charged to OCI	**-**	**-**

B. CALCULATION OF TAX BASIS - TAX PAYABLE	31 Dec 2022	31 Dec 2021
Pre -tax profit	79 821	29 281
Profit from shipping operations	(81 083)	(33 870)
Net financial items according to calculation in section B.1	(1 262)	(4 589)
Use of tax losses carried forward	867	4 262
Exchange rate adjustment	395	326
Tax basis for the year	(0)	**(0)**
Tax payable	**-**	**-**
Tonnage tax (included in operation profit)	188	214
Correction prior year tonnage tax	-	6
Tonnage tax payable in the balance sheet	**188**	**220**

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

Calculation of share of total financial assets for KCC Shipowning AS	**At January 1, 2022**	**At December 31, 2022**	**Average**
Financial assets KCC Shipowning AS	51 656	92 003	71 830
Total financial assets of the company, including underlying companies	51 656	92 003	71 830
Total capital in KCC Shipowning AS	605 964	568 302	587 133
Share of financial assets (in %)	8,52 %	16,19 %	12,23 %
Exchange rate adjusted share of financial assets (in %)			12,45 %

Calculation of proportional deduction for interest expenses / foreign currency losses	**2022**
Actual interest expenses recorded in the profit and loss account	(11 453)
Interest expense, not deductable	-
Interest expense subject to proportional distribution	(11 453)
Calculated proportion of interest expenses for deduction in tax income 12,45%	**(1 426)**
Foreign currency losses / (gain) recorded in the profit and loss account	-11
Calculated proportion of currency gain/ loss for increase/ decrease in tax income 12,45 %	**-1**

B.1.2 CALCULATION OF NET FINANCIAL ITEMS	31 Dec 2022	31 Dec 2021
Financial income and expenses recorded in the profit and loss account		
Interest income from Group companies	49	222
Other interest income	1 568	22
Interest expense according to proportional calculation	(1 426)	(1 207)
Realized swap interest - including change in temporary difference on accrued interests)	(210)	(1 516)
Capitalised commitment fees	-	(2 554)
Other financial expenses	(1 242)	(763)
Foreign currency loss according to proportional calculation	(1)	2
Forreign currency adjustment		1 206
Net financial items	**(1 262)**	**(4 589)**

Note 5 - Taxes cont.

B.2 CALCULATION OF INCREASE IN INCOME DUE TO HIGH EQUITY			
(Figures calculated from NOK to USD at year-end rate of exchange)	**At January 1, 2022**	**At December 31, 2022**	**Average**
Total capital KCC Shipowning AS	613 305	629 859	621 582
A) Total, adjusted assets	613 305	629 859	621 582
Liabilities in KCC Shipowning AS	293 583	260 319	276 951
B) Total, adjusted liabilities	293 583	260 319	276 951
C) 30% of average assets (A*30%)			186 475
Average equity above 70% C - B			(90 476)
Increase in income due to high equity - Prescribed interest rate on positive amount (1.30 %)			**-**

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:	31 Dec 2022	31 Dec 2021
Profit before tax	79 821	29 281
Nominal tax rate	22 %	22 %
Calculated tax payable on pre-tax profit using the nominal taxation rate	17 561	6 442
Tax effect, profit from shipping operations	(17 751)	(7 380)
Tax effect, change in not listed deferred tax	(1 444)	(59)
Tax effect, temporary differences	1 635	996
Tax expense	**(0)**	**0,00**
Effective tax rate	0,00 %	0,00 %

Note 6 - Taxes cont.

Specification of the tax effect of temporary differences

D. DEFERRED TAX / (DEFERRED TAX ASSET) (USD'000)	Status at Jan 1, 2022	Change	Status at Dec 31, 2022	Tax effect at Dec 31, 2022 22 %	Status at Dec 31, 2021	Tax effect at Dec 31, 2021 22 %
Provision for loss on interest rate instrument	(553)	10 550	9 997	2 199	(553)	(122)
Estimated, unpaid swap interest	124	(456)	(331)	(73)	124	27
Temporary differences (Omvurderingskonto)	31	(2 663)	(2 632)	(579)	31	7
Total temporary differences	(398)	7 431	7 034	1 547	(398)	(87)
Total temporary differences - before financial losses carried forward	**(398)**	**7 431**	**7 034**	**1 547**	**(398)**	**(87)**
Financial losses carried forward	(13 912)	(867)	(14 779)	(3 251)	(13 912)	(3 061)
Total temporary differences	**(14 309)**	**6 565**	**(7 744)**	**(1 704)**	**(14 309)**	**(3 148)**

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

Note 7 - Vessels

(USD'000)	Note	31 Dec 2022	31 Dec 2021
Cost price 1.1		653 661	470 900
Delivery of newbuildings		-	153 763
Internal repurchase of vessels	15	-	51 400
Technical upgrade		4 617	4 032
Additions (dry-docking)		5 620	8 342
Adjustment acquisition value newbuildings delivered		-	1 408
Disposals related to vessels		(2 472)	(36 184)
Costprice end of period		**661 427**	**653 661**
Acc. Depreciation 1.1		87 553	84 273
Acc. Depreciation disposal of vessel		(2 472)	(27 285)
Depreciation vessels		33 238	30 565
Acc. Depreciation end of period		**118 318**	**87 553**
Acc. impairment losses 1.1		7 272	7 272
Impairment for the year		(437)	-
Acc. impairment losses 31.12		**6 835**	**7 272**
Carrying amounts end of period*		**536 273**	**558 837**
*) carrying value of vessels includes dry-docking			
No. of vessels		16	16
Useful life		25	25
Depreciation schedule		Straight-line	Straight-line

Reconciliation of depreciations (USD'000)	2022	2021
Depreciation vessels	33 238	30 565
Depreciation right of use assets	315	579
Depreciation for the period	**33 553**	**31 144**

Additions

Three CABU vessels and one CLEANBU vessel completed scheduled dry- docking in 2022 with total cost of USD 5.6 million. Technical upgrade of USD 4.0 million is related to general improvement of the technical performance of the vessels and energy efficiency initiatives, deducted by grants from ENOVA of in total USD 0.3 million recognised as per year end 2022. KCCS has secured in total approximately USD 1.4 million in grants from ENOVA to finance investments in energy saving solutions for one CABU vessel and one CLEANBU vessel.

During 2022, KCCS purchased previously leased satellite equipment on board the vessels of a total value of USD 0.6 million. The equipment from 2022 was capitalized as vessel, depreciated over the same period as each vessel's dry-dock component. The derecognition of right of use assets with corresponding lease liability had an insignificant impact on the results for the year.

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

Disposal

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

Pledged Vessels

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

Impairment assessment

Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. Expected future TCE earnings for both fleets of CABUs and CLEANBUs, diversified market exposure, development in secondhand prices and the combination carriers' trading flexibility support the conclusion of no impairment indicators identifed as per 31 December 2022.

As fair value less cost to sell is higher than book value for one of the CABU vessels that was previously impaired, a reversal of prior years impairment of USD 0.4 million was recognised in 2022.

Accounting Policy

Significant accounting estimates
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.

Useful life and residual values
The carrying amount of vessels is based on management's assumptions of useful life. Useful life for the combination carrier vessels is reassessed on an annual basis. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices. Management has also considered the impact of decarbonisation and climate related risks on the existing assets' useful lives. Such risks include new climate related legislation restricting the use of certain assets, new technology demanded by climate related legislation and customer requirements (see note 13).

Based on the updated dry docking schedule, the vessels are planned for dry docking with a limited scope during each intermediated survey, first time approximately 2.5 years after delivery. Docking depreciation has previously been based on docking every five years during the first ten years of operation. The change was effective from 1 August 2022 and impacted 2022 depreciation with approximately USD 2.6 million and is estimated to impact with approximately USD 2 million for 2023 and onwards.

KCCS commits to perform recycling of its vessels in compliance with the Hong Kong convention and, the Norwegian Shipowner's Association's guidelines. Annual assessment of residual value is based on observable market prices and available scrapping alternatives as of today. Residual value estimates for the KCCS vessels have been calculated based on average price for Turkey and India, deducted by best estimate of direct costs for scrapping. There is a high degree of uncertainty in net green pricing for recycling. KCCS has concluded to retain a scrap value of USD 3.8/5.3/5.9 million for CABUI/CABUII/CLEANBU for 2023.

Impairment testing
At the end of each reporting period the Company assesses whether there is any indication of impairment. If any indication exists, the Company will estimate the recoverable amount of the asset. Recoverable amount is set as the highest of fair value less cost to sell and value in use. If carrying value exceeds the estimated recoverable amount, impairment is recognised. Impairments are reversed in a later period if recoverable amount exceeds carrying amount.
Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. As per year end 2021 and 2022 no indicators for impairment were identified.

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

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

Note 8 - Leasing

The Company as a lessee

Right-of-use assets
During 2022, KCCS purchased previously leased satellite equipment on board the vessels of a total value of USD 0.6 million. The equipment was capitalized as vessel in 2022, depreciated over the same period as each vessel's dry dock component. Derecognition of right of use assets with corresponding lease liability had an insignificant impact on the results for the year.

Right-of-use assets (USD '000)	31 Dec 2022	31 Dec 2021
Cost price 1.1	2 934	2 346
Addition of right-of-use assets	-	663
Disposals	(2 934)	(75)
Costprice end of period	-	**2 934**
Acc. Depreciation 1.1	1 382	802
Depreciation right of use assets	382	579
Disposals	(1 764)	-
Acc. Depreciation end of period	-	**1 382**
Carrying amounts end of period	-	**1 553**

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows (USD '000)	31 Dec 2022	31 Dec 2021
Less than 1 year	-	662
1-5 years	-	1 107
More than 5 years	-	-
Total undiscounted lease liabilities	-	1 769

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

Accounting policy

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

Note 9 - Newbuildings

The Company has no newbuilding commitments as per year end 2022. The Company took delivery of three CLEANBU vessels during 2021, which completed the newbuilding programme at Jiangsu New Yangzi Shipbuilding Co., Ltd in China.

(USD'000)	31 Dec 2022	31 Dec 2021
Cost 1.1	-	48 441
Borrowing cost		84
Yard installments paid		97 650
Other capitalized cost	-	7 586
Delivery of newbuildings	-	(153 763)
Net carrying amount	**-**	**-**

Note 10 - Trade receivables and other current assets

(USD'000)	31 Dec 2022	31 Dec 2021
Receivables from related parties (note 15)	23 084	15 054
Prepaid expenses	2 154	1 966
Insurance claim	173	378
Other short-term receivables	933	705
Other short-term receivables	**26 343**	**18 103**

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

Note 11 - Cash and cash equivalents

The Company has bank deposits in the following currencies:

(USD'000)	31 Dec 2022	31 Dec 2021
Cash and bank deposits, NOK	829	1 057
Bank deposits, USD	52 391	30 961
Bank deposits, other currencies	1 065	-
Total cash and cash equivalents	**54 284**	**32 018**

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

Note 12 - Financial assets & liabilities

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

The Company holds interest rate swaps that qualify for hedge accounting. These instruments have a net market value of positive USD 11.1 million and remaining duration of up to July 2025. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income. The Company also holds interest rate options recognized at fair value through profit and loss.

Financial assets at 31 December	31 Dec 2022	31 Dec 2021
Financial instruments at fair value through OCI		
Interest rate swaps	11 110	1 421
Financial instruments at fair value through P&L		
Interest rate swaps	303	71
Financial assets	**11 413**	**1 492**

Financial liabilities at 31 December	31 Dec 2022	31 Dec 2021
Financial instruments at fair value through OCI		
Interest rate swaps	-	1 973
Financial liabilities	**-**	**1 973**

Note 12 - Fair value measurement

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

	Carrying amount		Fair value	
(USD'000)	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial assets at fair value through OCI				
Interest rate swaps	11 110	1 421	11 110	1 421
Financial assets at fair value through profit or loss				
Interest rate swaps	303	71	303	71
Financial assets measured at amortized costs				
Long-term receivables from related parties	-	-	-	-
Short-term receivables to related parties	23 084	15 054	23 084	15 054
Other short-term receivables	1 106	1 083	1 106	1 083
Total financial assets measured at amortized costs	**24 189**	**16 137**	**24 189**	**16 137**
Cash and cash equivalents	**54 284**	**32 018**	**54 284**	**32 018**
Total	**89 887**	**49 647**	**89 887**	**49 647**
Total current	78 474	48 155	78 474	48 155
Total non-current	11 413	1 492	11 413	1 492

	Carrying amount		Fair value	
(USD'000)	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Financial liabilities at fair value through P&L				
Interest rate swaps	-	1 973	-	1 973
Financial liabilities at amortised cost				
Long-term interest bearing debt	156 534	249 993	159 664	252 547
Short-term interest bearing debt	92 769	23 936	92 769	23 936
Accounts payable	1 878	2 613	1 878	2 613
Current debt to related parties	1 651	7 257	1 651	7 257
Other current liabilities	7 295	5 963	7 295	5 963
Total financial liabilities at amortised cost	**260 126**	**289 762**	**263 257**	**292 316**
Total	**260 126**	**291 735**	**263 257**	**294 289**
Total current	103 593	39 769	103 593	39 769
Total non-current	156 534	251 966	159 664	254 520

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

Note 12 - Fair value measurement (cont.)

Fair value hierarchy
The Company use the financial hierarchy in IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Company's assets and liabilities at 31 December 2022

31 December 2022 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		303		**303**
Financial assets at fair value through OCI				
Interest rate swaps		11 110		**11 110**

31 December 2022 Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt, non-current			159 664	**159 664**
Mortgage debt, current			92 769	**92 769**

Accounting policy

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:
-Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
-Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

As per 31 December 2022 all the Company hedges are classified as cash flow hedges.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
-There is an economic relationship between the hedged item and the hedging instrument.
-The effect of credit risk does not dominate the value changes that result from that economic relationship.
-The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit and loss. Amounts recognised as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or expense is recognised or when a forecast transaction occurs.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Note 13 - Financial risk management

Capital management

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

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

Risk	Description	Risk type
Main risks next 12 months		
Weak freight rates and changes in trade flows	Freight rates are the main earnings driver for the Group. A fall in freight rates for dry bulk commodities, caustic soda or clean petroleum products can have a material impact on the financials of the Group. The effect of lower freight is somewhat offset by low historical correlation between dry bulk and product tankers freight rates. High fixed rate contract coverage for the CABU fleet for 2023 reduces the freight rates risks next 12 months. KCC is dependent on certain trade flows in order to obtain efficient combination trading. Production issues at plants, mines, and refineries in export regions, difference in regional commodity prices (arbitrage opportunities) as well as regional and global wars and conflicts may impact these trade flows. This is exemplified by Russia's war on Ukraine, having a material impact on the trades flows for both dry bulk commodities and clean petroleum products. As a major exporter of dry bulk commodities (e.g. grains and iron ore) from the Black Sea the direct impact on the demand for dry bulk shipping was negative. While for product tankers the impact was positive as importers reshuffled their sourcing.	Market
CLEANBU commercial and technical performance	Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks. Acceptance and/or exemptions in relation to the CLEANBU vessels from clients and terminals where policies require clean petroleum products (CPP) as the last one to three cargoes to avoid cargo contamination or where policies exclude the use of combination carriers like the CLEANBU vessels. Introduction of new ship types or concepts will normally require technical adjustments and modifications, which will take time and may lead to off-hire and delayed deliveries. There are outstanding guarantee items relating to one of the CLEANBU vessels, implying additional off-hire related to the repairs in 2023. While the shipyard is obliged to bear the cost of repairs, additional related costs may incur, and off-hire will be borne by KCC unless covered by KCC's loss of hire insurance.	Operational & technical
Vessel age	Due to stricter environmental regulations and customer requirements, older tonnage is in danger of both being rerated and losing competitiveness to more modern tonnage. The consequences for older tonnage can be lower capacity due to speed restrictions and lower utilization due to more waiting time. For the Group this can result in less flexibility and lower net revenue for the oldest vessels in the fleet. As per year-end 2022, the Group owns three CABU vessels above 20 year age.	Operational & technical
Retrofit project risk	In 2023 KCC will retrofit two vessels with air lubrication system and shaft generator to reduce fuel consumption. One of the main pillars of KCC's strategy is to improve the energy efficiency and consequently the environmental footprint of the fleet. Success depends on the ability to deliver on retrofit/energy saving device projects at the budgeted cost and time, and that the retrofits deliver the estimated fuel/energy savings.	Operational & technical
Main long-term risks		
Global economic growth and the impact on energy and commodity markets	Freight rates for global seaborne transportation is highly volatile and cyclical. The demand for global seaborne transportation depends on global economic growth, and in particular the development in the energy and commodities markets. The Company is exposed to changes in trade flows and in particular changes in flows in the Company's main trades in the alumina value chain. Furthermore, the demand for seaborne transportation is dependent on open economies and low barriers to trade. Trade restrictions such as tariffs and embargos can have a negative impact on the demand for seaborne transportation.	Market
Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels	A move to a low-carbon economy can potentially have material negative impact on the Company through several channels. -Emerging propulsion technologies and fuels might have a material negative impact on the competitiveness of the Group's existing fleet and might result in lower revenue and/or impairment of vessel values -New regulations can lead to material cost related to upgrades and retrofits to comply with regulations and / or material impairment of operational flexibility and / or operational limitations -New regulations, such as the EU taxonomy, can reduce and restrict access to capital -The demand for transportation of fossil fuels might be materially negatively impacted and hence the demand for dry bulk and product tanker vessels -New customer requirements can have a negative impact on the Company's competitive position	Climate-related

Note 13 - Financial risk management continued

Risk types

The risks have been divided into the following categories

Financial risk

The Company is exposed to i.e. freight rate risk, bunker fuel price risk, as well as risks relating to foreign currency exchange, interest rate, counterparties (including credit), operations, technical, regulations and other risks. The Company's management oversees the management of these risks and they are governed by appropriate policies and procedures. The Board of Directors reviews and agrees policies for managing these risks.

Operational risk and techincal risk

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

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

The COVID-19 pandemic continued impacting vessel operations in 2022, however to a lesser extent than in 2021.

Market risk

Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. Freight rates are volatile and a fall in freight rates may impact financial results of the Company negatively. Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Company's vessels.

Foreign currency risk and interest rate risk

The Company's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of all significant entities in the Company. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The Company has long term interest bearing debt that is exposed to floating interest rate. Long term mortgage debt bear interest at LIBOR plus an applicable margin. In order to hedge the risk, the Company has entered into interest rate swaps. At 31 December 2022, 43 % of the floating interest mortgage debt loans are hedged, including undrawn revolving credit facilities. The Company evaluates on an ongoing basis the need to adjust interest rate exposure.

The table below shows estimated changes in profit before tax for the Company from changes in interest rates in 2022 and 2021, 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	2022	2021
USD LIBOR	+1,00%	(1 314)	(1 680)
	+ 0,5%	(657)	(840)
	- 0,50%	657	120
	-1,00%	1 314	(70)

Note 13 - Financial risk management continued

Counterparty/credit risk

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

Total unrisked credit risk at 31 December 2022 amounts to USD 80.6 million (book value of receivables and bank deposits).

Liquidity risk

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

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

Maturity profile of financial liabilities

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

Maturity profile financial liabilities 31 Dec 2022	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	105 989	87 133	88 196	-	281 318
Trade and other payables	1 878	-	-	-	1 878
Current debt to related parties	1 651	-	-	-	1 651
	109 518	**87 133**	**88 196**	**-**	**284 847**

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

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

Climate-related risks

Includes both transition risks and physical risks with focus on transition risks as this is considered to have a larger impact and probability for KCCS. The risk mainly relates to effect of reduced demand for the Company's services and the risk of stranded assets and new regulations as the fleet moves to low-carbon fuel.

Note 14 - Interest bearing debt

The below tables present the Company's financing arrangements as per 31 December 2022.

In June 2022 the Company agreed to amend certain terms in the Nordea /Crédit Agricole USD 60 million facility. The reference rate and margin were adjusted to Term SOFR + 2.25%, implying a LIBOR equivalent margin reduction of approximate 75 bps, while the repayment date was extended by one year, until March 2027. Refinanced debt has been accounted for as modification of existing agreement. A modification gain of USD 1.2 million has been recognized in profit and loss in 2022, based on the difference of the net present value of the related cash flows using the original effective interest and the carrying amount of the debt prior to modification.

Discussions regarding the refinancing of the DNB/SEB facility maturing in December 2023 has been initiated with positive feedback.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	76 978
SEB/SR-Bank/SPV Facility	Term loan/RCF, 90.75 mill	LIBOR + 2.3 %	October 2025	53 338
Nordea/Crédit Agricole Facility*	Term loan/RCF, 60 mill	SOFR + 2.25%	March 2027	50 824
Nordea/ Danske Facility**	Term loan, USD 80 mill	LIBOR + 2.3 %	December 2026	71 294
Capitalized loan fees				(3 131)
Mortgage debt 31 December 2022				**249 303**

* Potential margin adjustments up to +/- 10 bps once every year based on sustainability KPIs.
** Potential margin adjustments up to +/- 5 bps once every year based on sustainability KPIs.
As per 31 December 2022, the Company has available undrawn revolving credit facility capacity of USD 30.1 million, related to the SEB/SR-Bank/SPV facility.

(USD '000) Interest bearing liabilities	Fair value 31 Dec 2022	Carrying amount 31 Dec 2022	Carrying amount 31 Dec 2021
Mortgage debt	159 664	159 664	252 547
Capitalized loan fees	-	(3 131)	(2 554)
Total non-current interest bearing liabilties	**159 664**	**156 534**	**249 993**
Mortgage debt, current	92 769	92 769	23 936
Total interest bearing liabilities	**252 434**	**249 303**	**273 929**

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

Covenants

As per year end 2022, the Company is in compliance with all financial covenants. Financial covenants on KCC Shipowning level relate to minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net interest-bearing debt to EBITDA (NIBD/EBITDA) of max 7x. The NIBD/EBITDA ratio can be higher than 7x for one reporting period (measured semi-annually) provided that the NIBD/EBITDA was below 7x in the prior reporting period. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Securities

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

Book value of collateral, mortgaged and leased assets:	31 Dec 2022	31 Dec 2021
Vessels	518 812	539 558
Total book value of collateral, mortgaged and leased assets	**518 812**	**539 558**

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

(USD '000)	Interest payable	Short term lease liabilities	Interest bearing short-term debt	Interest bearing long-term debt	Share capital/premium reserve	Other equity	Total
Balance at 1 January 2022	**-**	**618**	**23 936**	**249 993**	**151 638**	**168 085**	**573 704**
Repayment of mortgage loan			(51 050)				
Proceeds from mortgage loan (net transaction cost)				27 000			
Transaction costs on issuance of loans				(187)			
Interest paid	(11 010)						
Repayment of lease		(382)					
Total Changes from financing cash flow	(11 010)	(382)	(51 050)	26 813	-	-	(35 628)
Liability- related							
Expensed capitalised borrowing costs				786			
Gain related to modification of debt				(1 175)			
Non-cash movement		(236)	119 883	(119 883)	-	49 817	
Total liability- related changes	**-**	**(236)**	**119 883**	**(120 271)**	**-**	**49 817**	**49 192**
Total equity-related other changes							
Balance at 31 December 2022		**-**	**92 769**	**156 534**	**151 638**	**217 902**	**587 268**

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

Note 15 - Transactions with related parties

SERVICES

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

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

Klaveness AS (affiliated company) delivers administrative and business management services (G&A) to the KCC Group. G&A services have been provided by KCC ASA to all subsidiaries in the Group, with Klaveness AS as a subcontractor for accounting, legal, risk/KYC and IT services, rent and office services.

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

(USD'000) Commercial and administrative services	Provider [1]	2022	2021
G&A fee	KAS, KCC [2]	927	690
Project management fee	KSM	710	457
Group administrative services		**1 637**	**1 146**

(USD'000)	Provider [1]	2022	2021
Technical management fee (opex)	KSM	3 819	3 950
Crewing and IT fee (opex)	KSM	1 565	1 458
Supervision fee and project management fee (newbuilding)	KAS	-	-
Supervision fee and project management fee (newbuilding)	KSM		1 333
Sales support, sale of vessel [4]	KAS		31
Technical management fee for termination of agreement [4]			
	KSM		44
Interest income from related parties	KCC KBA, KCC, KCCC [3]	49	222
Interest expenses from related parties	KCC	601	760
Total other transactions with related parties		**6 033**	**6 334**

(USD'000) Receivables and debt to related parties	Counterparty [1]	31 Dec 2022	31 Dec 2021
Short term loan to related parties	KCC KBA		-
Receivables from related parties	KCC KBA		-
Receivables from related parties	KSM	77	1 502
Receivables from related parties	KAS	60	1
Receivables from related parties	KCC		30
Receivables from related parties	KCCC	22 946	13 522
Short-term receivables from and short-term debt to related parties		**23 084**	**15 054**
Current debt to related parties	KCC	555	6 188
Current debt to related parties	KSM	225	300
Current debt to related parties	KCCC	822	755
Current debt to related parties	KAS	49	14
Current debt to related parties		**1 651**	**7 257**

In 2021, the Company repurchased the vessel MV Barracuda internally from KCC KBA AS, a fully owned subsidiary of Klaveness Combination Carriers ASA. KKC KBA AS was merged with KCC ASA in 2022.

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

2) G&A services purchased from KCC ASA with KAS AS as a subcontractor for parts of the services.

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

4) Fees included in net sales gain on vessel.

Accounting policy

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

Note 16 - Share capital, shareholders, dividends and reserves

	2022		2021	
Share capital	Number	NOK	Number	NOK
Ordinary shares	1 000	2 100 000	1 000	2 100 000

All shares are issued and fully paid.

	2022	2021
The ownership is as follows:	Number of shares	
Klaveness Combination Carriers ASA	970	970
KCC Chartering AS	30	30

Note 17 - Events after balance sheet date

In January 2023, the Company repaid USD 15 million in debt under a revolving credit facility agreement. The amount is, however, available to be redrawn under this revolving credit facility agreement.

In March 2023, the CLEANBU vessel, MV Bass was sold from KCC Shipowning AS to KCC Bass AS (100 % owned by Klaveness Combination Carriers ASA). As the sale was internal within the Klaveness Combination Carriers Group, the pricing was based on a discounted cash flow model. KCC Bass AS and KCCS are co-borrowers in the bank debt facility and one of the bank loan tranches were transferred to KCC Bass AS. KCCS as well distributed dividends used to capitalize KCC Bass AS.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2022.

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6a, 0191 Oslo
Postboks 1156 Sentrum, 0107 Oslo

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

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCC Shipowning AS

Opinion

We have audited the financial statements of KCC Shipowning AS (the Company), which comprise the balance sheet as at 31 December 2022, statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

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

Responsibilities of management for the financial statements

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

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

EY
Building a better working world

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Oslo, 29 March 2023
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

PENNEO

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

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

Johan Nordby
Statsautorisert revisor
På vegne av: Ernst & Young AS
Serienummer: 9578-5997-4-729076
IP: 88.89.xxx.xxx
2023-03-29 14:02:23 UTC

bankID

Penneo Dokumentnøkkel: IL8C3-8Q07Q-IVX31-7M4VA-53SAV-CGU58

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
Postboks 9200 Grønland
0134 Oslo
skattedirektoratet@skatteetaten.no

Besøksadresse
Fredrik Selmers vei 4
Org. nr: 974761076

Sentralbord
800 80 000
Telefaks
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.

2009/275763 Side 3 av 3

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

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Jan Hoelstad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland