Annual
Report
2020

FUTURE
BOUND

Klaveness
Combination Carriers

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Letter from the CEO

Future bound

Engebret Dahm

CEO Klaveness Combination Carriers ASA

2020 has been another eventful year for Klaveness Combination Carriers ASA (KCC), a year which first of foremost will be remembered for the COVID-19 pandemic. The COVID-19 situation has severely affected the daily lives of our seafarers and, to a less extent, also the life of us working on shore. Thanks to the sacrifices and dedication of our seafarers and of all other employees we have navigated well through this difficult year. We have with one exception kept the COVID-19 contagion away from our vessels and we have maintained the service to all of our customers with limited delays. Despite large negative COVID-19 effects we have in 2020 delivered the strongest TCE-earnings for the last five years and a respectable result before tax of USD 15.2 million.

Our business model has proven its strength in the past year. Our close co-operation with Klaveness in-house ship management company and their crew agency companies enabled us to take early and decisive preventive actions to reduce risks of COVID-19 contagion and find ways during 2nd half of 2020 to continue crew changes and ensure repatriation of our seafarers with as limited delays as possible. The flexibility of our vessels being able to trade in both the tanker and dry bulk markets, has made it possible to both take benefit of extreme peaks in the tanker market last spring and limit the worst effects of negative tanker market development in 2nd half of the year.

2020 was also the year when the decarbonization of the shipping industry in earnest came on the agenda among customers, financial institutions and regulators. European Union decided in September to include shipping into EU's emission trading scheme from 2022, being the first time the industry will have to pay for its carbon emissions. The establishment of Sea Cargo Charter in October by 14 of the worlds' largest tanker and dry bulk shipping customers is another important milestone showing customers commitment to move ahead with the decarbonization of their seaborne supply chains. We see increasing appreciation among our customers of the value of our carbon efficient shipping service having 30-40% lower carbon emission per ton transported than standard vessels in our main trades.

As described in our 2nd Sustainability report released together with this Annual Report, we are determined to improve further our solutions by cutting considerable our CO2 emission and improve further the carbon intensity of our operation. This together with our industry leading operational efficiency make KCC well positioned for future decarbonization requirements/regulations and for providing our customers with the most cost-efficient way of reducing supply chain carbon emissions.

While 2021 had a slow start with a historically weak tanker markets, the very strong dry bulk market since February supports KCC earnings and give ground for optimism for a turnaround in the tanker market coming into the 2nd half.

We are soon coming to the end of our ongoing CLEANBU newbuilding program initiated back in late 2015. In May we are scheduled to take delivery of the last of our eight contracted CLEANBU vessels and are at last ready to show the earnings capacity of our full seventeen vessel strong fleet in an expected stronger post-COVID shipping markets from 2nd half 2021. We are future bound!

Board of Directors

[Lasse Kristoffersen](#)
Chair of the Board

Morten Skedsmo
Board member

Magne Øvreås
Board member

Rebekka Glasser Herlofsen
Board member

Lori Wheeler Næss
Board member

Board of Directors' report 2020

Key developments 2020 and future priorities

During 2020, Klaveness Combination Carriers ASA (KCC or the Company) demonstrated the value of flexibility and diversification, key features of the combination carrier business. The CABU fleet experienced the highest time charter earnings since 2015 on the back of high caustic soda volumes which resulted in very efficient combination trading. Two CLEANBU vessels were delivered during 2020 and the vessels continued to build track-record and new combination trades, one example being entering the Australian clean petroleum product (CPP) market which has been a target market. KCC also benefited from the peak in the tanker market in the second quarter and fixed three CLEANBU vessels on tanker time charters for three to nine months.

COVID-19 did impact KCC's operations in 2020, mainly in relation to delivery of newbuilds and crew changes. First priority has been and still is to keep the crew safe and healthy and second to make sure all vessels are in operation.

The last three CLEANBU newbuilds will be delivered during first half of 2021, and it will be a high priority to continue the development of new combination trades and phase-in the vessels efficiently.

Decarbonization is a key challenge and opportunity for the shipping industry and KCC over the next years. KCC already has the most carbon-efficient deep-sea shipping solution, emitting 30-40% less CO2 per transport work than standard vessels, and the ambition is to be a driver in the transition towards low carbon shipping through improving the efficiency of our fleet and operations, applying new technical solutions and fuels and through close co-operations with customers, suppliers and other shipowners.

People, health and safety

KCC's ambition is to strive for an injury free environment, and to the Board of Directors' satisfaction, there were no major incidents in 2020. The KCC fleet is under technical management by Klaveness Ship Management AS (KSM). In 2020, KSM rolled out a safety program under the name Klaveness Always Safe and Secure (KLASS). Since the roll out KCC has not experienced any major or medium injuries (read more about KLASS in the Sustainability Report). The fleet experienced no major, three medium and 23 minor injuries in 2020. Injuries that require repatriation of crew members but with no long-term disability are classified as medium injuries. All reported incidents and near accidents are analyzed and used for learning and to improve routines and procedures on board as well as onshore.

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

In 2020, there were 25 vetting inspections of the CABU and CLEANBU combination carriers and the fleet went through 28 Port State Controls in 2020, with one detention. The detention was related to an accident onboard a CABU vessel, where a crew member fell while cleaning a cargo hold. The accident was investigated, and preventive actions have been implemented across the fleet.

The situation in the Persian Gulf/Gulf of Oman continued to be tense in 2020, however, the threat level for merchant vessels is considered moderate by Den Norske Krigsforsikring for Skib (DNK). Spoofing of GPS/communications systems is an increasing problem in this area, and KSM has instructed the fleet to take precautions as per recommendations from flag state in the area. No approaches or boarding attempts have been reported in the Indian Ocean in 2020. The latest update from DNK shows that DNK expects the risk to remain low due to the monsoon season and the current political situation in Somalia.

By the end of 2020, KCC had six employees and mainly all other services are provided by affiliated companies owned by Rederiaksjeselskapet Torvald Klaveness. 33% of the KCC employees are women and sick leave was 0.08% in 2020. KCC is dedicated to ensuring equal opportunities for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability or social status (read more in the Code of Conduct available on www.combinationcarriers.com).

No incidences or reports of work-related accidents resulting in significant material damage or personal injury occurred during the year. The work environment is considered positive, and efforts for improvements are made on an ongoing basis. An employee survey will commence and be completed during first half of 2021. The working environment committees held regular meetings in 2020. Several issues have been discussed in the committees, which have resulted in recommendations for improvements. Due to the COVID-19 pandemic, the office work force has for a large part of the year worked from home office and practiced social distancing, minimal travel, and other relevant measures.

The Board of Directors expresses its appreciation of the work done by all the employees during 2020. Specifically, the Board of Directors wants to thank all the employees for the extraordinary efforts and sacrifices made due to the COVID-19 pandemic, especially the crews that were subject to long contract extensions.

Environment

The operation of vessels has an impact on the environment. KCC is taking technical and operational precautions to protect the environment as embodied in the International Safety Management Code (ISM-code) and MARPOL convention. Furthermore, the effective dry-wet combination trading pattern with limited number of ballast days substantially reduces the environmental footprint of the KCC vessels compared to standard dry bulk and tanker vessels in the same trading pattern, giving up to 40% reduction in CO2 emissions for the same transport work. All CLEANBU vessels comply with the Tier III NOx reduction requirements through installation of SCR (Selective Catalytic Reduction) plants. This reduces the NOx emissions with more than 75% compared to Tier II requirements during port stays. All vessels were in compliance with the sulfur cap regulation implemented by the International Maritime Organization 1 January 2020 by using compliant Low Sulphur Fuel Oil.

In January 2020, KCC published an Environmental Policy and Strategy for the period 2020-2050, with both short-term specific targets and long-term ambitions. KCC aims to reach a carbon neutral operation within 2030 and a zero-emission operation within 2050, substantially more ambitious than targets set by the International Maritime Organization (IMO). Sustainability is an integrated part of KCC's strategy, business, and reporting, and KCC commits to full transparency on its environmental performance (read more in the Sustainability Report).

Financial results

Financial results
Profit for the year ended positive at USD 15.2 million for 2020, up from USD 0.6 million for 2019. The main reasons are 1.8 vessel years larger on-hire fleet and stronger TCE earnings. On the other hand, costs and off-hire increased due to COVID-19, and the total COVID-19 effect is estimated to be USD 5.8 million in lower earnings due to off-hire as well as delayed start of trading for the newbuilds and higher than normal operating costs.

Net revenue from operation of vessels increased by 49% from USD 61.3 million in 2019 to USD 91.1 million in 2020. Average TCE earnings for the CABU fleet increased by almost $3,000/day compared to 2019 and ended at $19,886/day in 2020, a multiple of 1.3 to standard spot earnings for MR tankers in 2020 as reported by brokers. The main drivers are increased caustic soda volumes both in the Pacific and the Atlantic and hence a higher degree of efficient combination trading, in addition to stronger underlying markets.

Average TCE earnings for the CLEANBU fleet for 2020 ended at $23,851/day, up from $18,300/day in 2019. The increase is partly due to fixing three vessels on tanker time charters at the market peak in Q2 2020, two for three months each and one vessel for nine months. Despite a historically strong product tanker market in 2020, the TCE earnings multiple to spot earnings for standard LR1-tanker as reported by brokers were 1.1.

Operating expenses increased from USD 29.9 million in 2019 to USD 37.2 million in 2020 due to a growing fleet and increased costs from COVID-19 impacts (crew costs, deviations, forwarding cost for spare parts and supplies).

Administrative costs for 2020 of USD 5.6 million is in line with 2019 (USD 5.5 million). The increase in service cost and salaries for 2020 due to higher activity was offset by lower operating and administrative costs as costs related to the stock exchange listing (USD 0.6 million) impacted 2019 costs negatively.

Based on solid earnings for the fleet, 2020 turned out to be a strong year for KCC. KCC on a consolidated basis (the Group) had an Operating profit before depreciations (EBITDA) of USD 48.1 million (2019: USD 25.8 million).

Depreciation increased from USD 14.1 million in 2019 to USD 19.2 million in 2020, due to delivery of CLEANBU vessels (USD 4.1 million) and timing of docking for the CABUs (USD 0.9 million).

Net financial result in 2020 ended at negative USD 13.8 million compared to negative USD 11.1 million in 2019. The increase is explained by increased net interest costs of USD 3.7 million following increased debt related to additional CLEANBU vessels and higher bond debt, and USD 0.8 million in premium from buyback of KCC03 bond debt in 2020, partly offset by lower negative effects from unrealized changes in fair value of derivatives in 2019 of USD 2.0 million.

Financial position
At year-end 2020, the consolidated book equity was USD 216.5 million (2019: USD 212.9 million), corresponding to a book equity ratio of 39% (2019: 47%). Total interest-bearing debt ended at USD 309.9 million at the end of 2020, up from USD 222.3 million at year-end 2019. Cash and cash equivalents ended at USD 65.7 million against USD 57.1 million as of 31 December 2019, and total assets were up from USD 459.3 million to USD 549.0 million. Delivery of the two CLEANBUs and upsizing of the bond debt in 2020 impact both the equity ratio, interest-bearing debt, total assets and cash development.

Cash flow
Net cash flow from operating activities was USD 40.0 million in 2020 (2019: USD 31.9 million) due to positive EBITDA, partly offset by negative changes in working capital. Net cash flow from investments was negative USD 92.9 million (2019: negative USD 164.3 million) due to dry dock costs for two CABU vessels, yard installments and other costs related to the newbuilding program. The cash flow from financing activities was positive USD 63.3 million (2019: USD 101.6 million) as proceeds from bond loan and proceeds from mortgage debt exceeded debt and bond loan repayment, interests and paid out dividends.

Dividends
During 2020, KCC distributed USD 4.8 million in dividends to shareholders, equal to USD 0.10 per share.

Financing and going concern
KCC's capital commitments are fully funded, and the refinancing risk is limited over the next year as the first mortgage debt facility falls due in March 2022. KCC issued a five-year bond (KCC04) of NOK 700 million in 2020. The existing bond (KCC03) of NOK 300 million was repaid in 2020. During the year, the Group signed a USD 60 million Sustainability Linked Term Loan and Revolving Credit Facility to finance the two last newbuilds with delivery in 2021. Margin adjustment can change +/- 10 bps based on fleet emission performance. A 364-day overdraft facility was renewed and upsized from USD 10 million to USD 20 million.

The accounts are reported under the assumption of a going concern. The Board of Directors considers the financial position of Klaveness Combination Carriers ASA at year-end 2020 to be solid and the liquidity to be satisfactory. Current cash flow, existing and committed debt and liquidity position for the Group are considered sufficient to cover all approved investments.

There have been no major transactions or events subsequent to December 31, 2020 that would have a negative impact on the evaluation of the financial position of Klaveness Combination Carriers.

The parent company
The result for the parent company, Klaveness Combination Carriers ASA, was a loss after tax of USD 8.1 million for 2020 (2019: loss USD 2.0 million). The loss is proposed transferred to other equity.

Events after the balance sheet date
On 18 February 2021, the Board of Directors declared a cash dividend to the Company's shareholders of USD 1.44 million (USD 0.03 per share). The sixth CLEANBU vessel was delivered 11 January 2021.

The business

The objective of Klaveness Combination Carriers is to provide transportation for dry bulk, chemical and product tanker clients, as well as to develop new investment and acquisition opportunities that fit the Group's existing business platform. The Group had a fleet of 14 vessels in operation at year-end 2020 and is close to completing its fleet expansion program with three vessels on order delivering during first half 2021. KCC's registered business address is Drammensveien 260, 0283 Oslo.

CABU
By year-end 2020, the CABU combination carrier fleet consisted of nine vessels. The CABU vessels are mainly employed in combination trades with shipments of caustic soda for customers in the Australian and Brazilian alumina industry and dry bulk return shipments with alumina, bauxite, iron ore and coal. Caustic soda shipments are mainly based on contracts of affreightment (COAs), while dry cargoes are partly spot and partly contract shipments.

The share of days in main combination trades ended at 87% for 2020, up from 74% in 2019, on the back of considerably higher caustic soda volumes and hence more efficient combination trading, especially in the Pacific where approx. 70% of the CABU fleet was employed in 2020.
Three vessels were dry-docked in 2020 with in total 115 scheduled off-hire days. Unscheduled off-hire ended at 77 days, up from 18 days in 2019, mainly due to deviations for crew changes and other off-hire related to COVID-19. Operating costs such as costs related to crew changes and forwarding costs have increased as well due to COVID-19.

In sum, 2020 turned out to be a strong year for the CABU vessels with the highest TCE earnings since 2015 partly due to very efficient combination trading.

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

CLEANBU
The CLEANBU vessels are full-fledged LR1 product tankers and dry bulk Kamsarmax vessels. By year-end 2020, the CLEANBU fleet consisted of five vessels in operation and three vessels under construction.

The commercial phase-in of the vessels has shown good progress with expansion of combi-trading patterns as well as successful performance at several new terminals for new customers.

The COVID-19 situation has made delivery of newbuilds in China more challenging and costly. It has not been possible to get KCC's crew into China during most of 2020 and to date 2021, hence Chinese crews have been employed to sail the delivered newbuilds to South Korea for crew change. The time from delivery until start of trading has hence increased by an average of 38 days compared to the vessels delivered in 2019. We expect that travel restrictions and extended quarantine regulations in China will add costs and delay start of trading of the last two newbuilds as well. Operating expenses and off-hire are as for the CABU vessels negatively impacted by COVID-19.

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

Market developments and outlook

Earnings of KCC's combination carriers are driven by the Panamax dry bulk market, MR and LR1 product tanker markets and the price of bunker fuels.

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

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

2021 has started on a very strong note in terms of dry bulk freight rates. The main drivers are increasing industrial production, a cold spell in the Far East and very strong grain shipments. Industrial production is recovering as the adverse effects of the pandemic become less pronounced.

Klaveness Research expects fleet growth to moderate and demand to grow in 2021. A key factor will be the impact on industrial production from the rollout of vaccines.

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

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

The product tanker market faces headwinds going into 2021, as oil demand is around 6% lower than pre-COVID-19 levels. Continued oil production curtailment, low refinery runs and inventory destocking on oil price backwardation will likely continue to impact the tanker market negatively, at least for the first half of the year. Clarksons expects product tanker demand to grow in 2021, it is still expected to be below 2019 demand. On a positive note the product tanker orders are limited with orderbook-to-fleet ratio around 7%. Furthermore, refinery closures in Australia, Europe, and the US in combination with refinery openings in the Middle East and in the Pacific are potential positive drivers for ton-mile demand.

Fuel prices
Bunker prices came into 2020 at high levels on the back of the implementation of the IMO 2020 regulation. However, the combination of the demand shock from the pandemic and oil price war drove prices sharply down during the first half of 2020. Prices bottomed out at around USD 170/mt and have since recovered. VLSFO (Very Low Sulphur Fuel Oil) prices ended at around USD 390/mt in 2020 compared to USD 620/mt at year-end 2019. Oil prices ended 2020 at USD 52/bbl, compared to USD 66/bbl a year before.

Risk review and risk management

It is important for the Board of Directors that a good risk assessment framework is in place and that internal control routines are adequate. Main risks related to KCC are discussed with the Audit Commitment and the Board of Directors on a quarterly basis. Risks are identified and assessed based on a probability and impact matrix and 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. Large investment decisions always include a risk assessment.

Below is a description of some of the principle risks identified that may affect business operations, reputation, financial condition, results of operations, and ultimately share price. The focus in the description below is on downside risk and please be reminded that the risk picture will change over time and based on future developments.

Risks during introduction of the CLEANBU vessels. KCC has taken delivery of six CLEANBU newbuilds in 2019-2021 and has two newbuilds on order. Introduction of new ship types or concepts like the CLEANBUs 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 three of the CLEANBU vessels on the water, implying additional off-hire related to the repairs in 2021. While the shipyard is obliged to bear the cost of repairs, additional related costs may incur. These guarantee items are not linked to the combination carrier concept or trading capabilities of the vessels and are not expected to impact the vessels performance until being rectified. The other vessels have no similar issues.

KCC relies on its CLEANBUs obtaining exemptions from certain clients and terminals policies relating last cargo. Mainly due to cargo contamination concerns, many oil and petrochemical companies, traders and terminals in the clean petroleum products (CPP) business have internal policies that the last one to three cargoes on employed vessels to be CPP. The Group has obtained exemptions from such requirements from some target customers and terminals and is dependent on obtaining additional and continued exemptions for the vessels to be able to trade consecutively in a CPP-dry bulk combination trading pattern. If these exemptions are not maintained, the vessels can trade as CABU vessels, pure tanker vessels or pure dry bulk vessels which might result in lower earnings. The Group and its ship manager have strict operational routines mitigating the risk of contamination developed over many years of operating combination carriers.

Unfavorable changes in trade flows and volumes. KCC is dependent on matching shipments of wet products, such as caustic soda and CPP going into dry bulk exporting regions with outgoing dry bulk commodities to optimize the economics of the KCC vessels. Trade flows can change or be impacted by blockades, embargoes, changes in cargo sourcing patterns, etc., resulting in less efficient combination trading which in turn may have an adverse effect on the KCC's earnings and financial position.

Highly cyclical nature of the dry bulk and product tanker shipping industries. Both industries are cyclical with attendant volatility in freight rates, vessel values and consequently, profitability. Fluctuations in rates result from imbalances between the supply and demand for vessel capacity and changes in the supply and demand for the commodities carried on water internationally. The supply of and demand for shipping capacity determine the freight rates. Because the factors affecting the supply and demand dynamics of the shipping segments are unpredictable; the nature, timing, direction and degree they influence the business conditions are also unpredictable.

Dependency on a limited number of customers and renewal of key/material contracts of affreightment. KCC is, to a certain degree, dependent on a limited number of key customers and renewal of material contracts with these customers. KCC transports approximately 40% of caustic soda used in the alumina industry in Brazil and Australia. The caustic soda COA portfolio consists of contracts with 5-10 alumina companies and traders, and to be able to trade the CABU vessels efficiently in combination trades, the company is dependent on continuing to secure these COAs. Failure to renew these contracts as they expire could impact the Group's profitability negatively.

Liquidity may be negatively impacted by fluctuations in TCE earnings and higher than expected costs. Fluctuations in TCE earnings due to volatility in underlying markets and in-efficient combination trading, as well as negative impact on OPEX and increased off-hire due to shocks such as the COVID-19 pandemic can have a substantial effect on KCC's cash positions. KCC is dependent on funding cash deficits of a more permanent nature through raising equity, long-term bond, or bank debt.

Board development

The Board of Directors held five meetings in 2020 with an attendance of 100% and the audit committee held six meetings. The Board of Directors consists of five members, whereof two women. Rebekka Glasser Herlofsen joined in 2020, while Stephanie Wu stepped down. Two of the board members are independent from the Company's management, major shareholders, and principal business associates.
The Board of Directors has an annual plan. It includes recurring topics such as strategy review, business planning, risk and compliance oversight, financial reporting and HSE (Health, Safety, Environment). High on the Board of Directors' agenda in 2020 was the delivery and phase-in of CLEANBU vessels, implications of COVID-19 as well as risks and opportunities related to climate-change and how this will impact KCC over the next strategy period of five years as well as in a longer perspective.
The Board emphasizes that forward looking statements contained in this report are based on various assumptions and forecasts that, by their nature, involve risk and uncertainty. Accordingly, actual results may differ materially.

Oslo, 31 December 2020

Oslo, 22 March 2021

Lasse Kristoffersen Chair of the Board	**Engebret Dahm** CEO	**Lori Wheeler Næss** Board member
Magne Øvreås Board member	**Rebekka Glasser Herlofsen** Board member	**Morten Skedsmo** Board member

Corporate Governance

Klaveness Combination Carriers ASA (KCC/ The Company) strives to protect and enhance shareholder equity through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in the basis of the KCC strategy.

The corporate governance principles of the Company are adopted by the Board of Directors of Klaveness Combination Carriers ASA (the Board). The principles are based on the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018 (the «Code of Practice»). Below is a description of the basis that the Company has implemented the Code of Practice. This description follows the same structure as the Code of Practice and covers all sections thereof. Deviations, if any, from the Code of Practice are discussed under the relevant section.

1. Implementation and reporting on Corporate Governance

The Board of Directors ensures that appropriate goals and strategies are adopted, that the adopted strategies are implemented in practice, and that the results achieved are subject to measurement and follow-up. The principles also contribute to ensure that the activities of the Company are subject to adequate controls. An appropriate distribution of roles and adequate controls contribute to the largest possible value creation over time, for the benefit of the shareholders and other stakeholders. The Company maintains a high ethical standard in its business concept and relations with customers, suppliers and employees. Klaveness Code of Conduct (published on www.combinationcarriers.com) applies to the Company and all services provided to the Company under service or management agreements between the Company or any of its subsidiaries and Torvald Klaveness companies.

No deviations from the Code of Practice.

2. The Business

According to the Company's articles of association, its purpose is to invest in- and operate wet- and dry bulk combination carriers and everything associated with such, including by participating in other companies that own or operate wet- and dry bulk combination carriers.

The principal objectives and strategies of the Company are presented in the annual report and are subject to annual assessments. The Company's social responsibility is presented in the sustainability report.

No deviations from the Code of Practice.

3. Equity and dividends

Given the cyclical nature of the shipping industry and to accommodate the business strategy, the Company needs to maintain a solid capital structure at levels which will give sufficient assurance to the debt and equity providers that the company is solid and sustainable. The Board regularly reviews and monitors the Company's capital structure to ensure it is in line with the Company's objective, strategy, and risk profile. The Company has prepared a statement of its financial policy, providing details of the Company's handling of financial risks, hedging, funding policies, etc.

The book equity of the Klaveness Combination Carriers Group as per 31 December 2020 was USD 216.5 million, which represents an equity ratio of 39%. Cash was USD 65.7 million per year-end 2020. The debt sources are diversified (mortgage bank debt and bond issue) and have a well distributed maturity profile. The Board believes the capital structure is appropriate based on its objectives, strategies, and risk profile.

The Board has established a clear dividend policy based on a targeted quarterly dividend distribution. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of free cash flow generation to equity after debt service and maintenance cost as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for and the Company's financial standing remains acceptable.

The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

At the Annual General Meeting (AGM) in April 2020, the Board was granted an authorization to resolve distribution of dividends. The authorization is valid until the Annual General Meeting in 2021, however no longer than 30 June 2021. Dividends of USD 10 cents per share were approved and distributed to shareholders in 2020.

The Board's authorisations to increase the share capital and to buy own shares shall normally not be granted for periods longer than until the next Annual General Meeting of the Company.

At the AGM in 2020, the Board was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 4,820,700, which equals 10% of the current share capital. The authorisation can be used for investment purposes, to realise the shares, use the shares as consideration in connection with acquisitions, mergers, demergers or other transactions or in connection with incentive programs. The authorisation is valid until the AGM in 2021 but will last no longer than 30 June 2021.

Furthermore, at the AGM in 2020, the Board was granted an authorisation to increase the share capital by up to NOK 20,000,000. The authorisation may only be used to raise additional capital for future investments or for general corporate purposes, or to issue shares in connection with acquisitions, mergers, demergers or other transactions. The authorisation is valid until the AGM in 2021, but no longer than 30 June 2021.

Deviations from the Code of Practice: The background for the authorisation to the Board of Directors to approve distribution of dividends was not explained in the AGM in 2020. The proposed mandate for the AGM in 2021 will be based on the dividend policy.

4. Equal treatment of shareholders, freely negotiable shares, and transactions with related parties

The shares of KCC are listed on Euronext Expand. All issued shares carry equal shareholder rights in all respects, including the right to participate and vote in general meetings, and there are no restrictions on transfer of shares. The articles of association place no restrictions on voting rights.

The Company has purchased 40,078 of its own shares in 2020 in the open market pursuant to the authorization granted by the AGM in 2020.

Any transactions, agreements or arrangements between the Company and its shareholders, members of the Board, members of the executive management team or close associates of any such parties shall only be entered into as part of the ordinary course of business and on arm's length market terms. All such transactions shall comply with the procedures set out in the Norwegian Public Limited Liability Companies Act.

Information regarding transactions with related parties is described in note 20 to the consolidated financial statements for 2020.

Deviations from the Code of Practice: The cross-currency interest rate swap between Klaveness Ship Holding AS (main shareholder) and the Company, a hedge related to the debtor change of the KCC03 bond loan in 2019, was settled in first quarter 2020. The transaction was made on arm's length basis based on Reuters screen prices. The valuation method was documented and discussed with the Audit Committee. Service agreements between KCC and affiliated Torvald Klaveness companies are priced at arms-length and in line with the OECD transfer price guideline and benchmarked on an annual basis. However, a third party did not perform a valuation of the transactions as recommended by the Code of Practice.

5. General meetings

The Annual General Meeting will normally be held before 30 April every year. Notice of the meeting shall be sent to the shareholders no later than 21 days prior the meeting.

The notices for such meetings shall include documents providing the shareholders with sufficient detail in order for the shareholders to make an assessment of all the cases to be considered as well as all relevant information regarding procedures of attendance and voting.
Notices for Annual General Meeting shall provide information on the procedures shareholders must observe in order to participate in and vote at the Annual General Meeting. The notice should also set out: (i) the procedure for representation at the meeting through a proxy, including a form to appoint a proxy, and (ii) the right for shareholders to propose resolutions in respect of matters to be dealt with by the Annual General Meeting.

The cut-off for confirmation of attendance shall be set as short as practically possible and the Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy. The form of proxy will be distributed with the notice.

The Chair of the Board and the CEO are present at the meeting, and the chairman of the Nomination Committee and the auditor are normally present as well. An independent person has historically been elected to chair the annual general meeting and an independent person will be available for future meetings.

Deviations from the Code of Practice: All Board members have historically not been present on the general meetings but will be encouraged to meet for future meetings.

6. Nomination Committee

According to the articles of association the Company shall have a Nomination Committee which is elected by the general meeting. The Nomination Committee has the responsibility of proposing members to the Board of Directors and members of the Nomination Committee. The Nomination Committee also proposes fee payable to the members of the Board and the members of the Nomination Committee.

The members of the Nomination Committee are selected to take into account the interests of shareholders in general. The current three members of the Nomination Committee are considered independent of the Board and the executive management team. Members of the Board of Directors and the executive management team are not members of the Nomination Committee. Instructions for the Nomination Committee are approved by the Company's General Meeting.

The members of the Nomination Committee's period of service is two years unless the Annual General Meeting decides otherwise. The Nomination Committee is to maintain contact with shareholder groups, members of the Board of Directors and the Company's executive personnel in its works with proposing members to the Board of Directors. The Annual General Meeting held on 18 January 2019 elected the current Nomination committee consisting of Trond Harald Klaveness, Espen Galtung Døsvig and Anne Lise Gryte, hence all three members are up for election in the AGM in April 2021.

No deviations from the Code of Practice.

7. The Board of Directors; Composition and independence

In appointing members to the Board, it is emphasised that the Board shall have the requisite competency to independently evaluate the cases presented by the executive management team as well as the Company's operation. It is also considered important that the Board can function well as a body of colleagues and that they meet the company's need for expertise and diversity.

The Directors are elected for a period of two years, with the possibility of re-election. Board Members are encouraged to own shares in the Company.

The Board currently consists of five board members. The board members work together to exercise proper supervision of the Company's business, compliance, performance, and work done by the Company's management. The chairperson of the Board is elected by the shareholders.

Two out of five of the board members are independent of the Company's main shareholders and the majority of the board members are independent of the Company's material business contacts and executive management. The Company's executive management is not represented on the Board.

The Board consists of the following members: Lasse Kristoffersen (Chairman), Magne Øvreås, Lori Wheeler Næss (independent), Rebekka Glasser Herlofsen (independent) and Morten Skedsmo. An introduction to the members of the Board of Directors and their expertise can be found on www.combinationcarriers.com.

No deviations from the Code of Practice.

8. Responsibility of the Board of Directors

Instructions have been issued for the Board of Directors, the Audit Committee, and the CEO.

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is to (i) participating in the development and approval of the Company's strategy, (ii) performing necessary monitoring functions and (iii) acting as an advisory body for the executive management team. Its duties are not static, and the focus will depend on the Company's ongoing needs. The Board is also responsible for ensuring that the operation of the Company is in compliance with the Company's values and ethical guidelines. The Board shall ensure that the Company has a good management with clear internal distribution of responsibilities and duties. The Board is regularly briefed on the Company's financial situation. The Board performs evaluation of its work after every Board meeting.

The Board has established an Audit Committee consisting of Lori Wheeler Næss (Chair) and Magne Øvreås and has implemented an Audit Committee charter. The function of the Audit Committee is to prepare matters to be considered by the Board and to support the Board in the exercise of its management and supervisory responsibilities relating to financial reporting, statutory audit and internal control. The Audit Committee has prepared an annual plan including a plan for internal audit procedures and a 3-year plan of topics to be covered. The Company's CFO is the secretary of the committee. The auditor participates in discussions of relevant agenda items in meetings of the Audit Committee and the committee holds separate meetings with the auditor at least once a year.

No deviations from the Code of Practice.

9. Risk management and internal control

The Board shall ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. The internal control and the systems shall also encompass the Company's corporate values and ethical guidelines. The objective of the risk management and internal control is to manage exposure to risks in order to ensure successful conduct of the Company's business and to support the quality of its financial reporting.

Governing documents, code of conduct, policies, guidelines, processes, and procedures are documented and available to the Company's employees and to employees of the main service providers, and shall ensure:

- that the Company facilitates targeted and effective operational arrangements and makes it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the Company's commercial objectives
- the quality of internal and external reporting
- that the Company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the Company's ethical guidelines and corporate values.

The Board on a quarterly basis reviews the Company's most important areas of exposure to risk. Internal control and risk exposure are regularly tested and evaluated by the Audit Committee. Some of the main risks are presented in the Board of Directors report for 2020.

KCC encourages whistleblowing regarding blameworthy activities or circumstances within its business. The whistleblower shall be protected against retaliation because of such whistleblowing. The Chief Compliance Officer in Torvald Klaveness is the contact person for whistleblowing for KCC and whistleblowing may be done anonymously.

The Chief Compliance Officer notifies the Audit Committee about notifications related to KCC.

No deviations from the Code of Practice.

10. Remuneration of the Board of Directors

Remuneration of Directors is determined by the AGM. The fee reflects the responsibilities of the board, its expertise, the amount of time devoted to board-related work, and the complexity of the Company's businesses.

To maintain the Board's independence, the Board's remuneration is not linked to the Company's performance, nor does the Company grant share options, similar instruments or retirement benefits to board members as consideration for their work.

None of the Directors perform other assignments for the Company in addition to their appointment as member of the Board of Directors.

More information about the remuneration of the individual directors is provided in note 7 in the consolidated accounts for 2020.

No deviations from the Code of Practice.

11. Remuneration of executive personnel

The Board determines the salary and other compensation to the CEO. The CEO's salary, option's granted and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: Progress towards and achievement of strategic business goals; Overall profitability of the Company; Development of the Company's shares; and adherence to the Company's main values. Any fringe benefits shall be in line with market practice and should not be substantial in relation to the CEO's basic salary. The CEO determines the remuneration of executive employees. The Board issues guidelines for the remuneration of the executive management team. The remuneration is based on a base salary, bonus and share options. The Board of Directors' annual statement regarding compensation to key management executives is on the agenda of the General Meeting.

For information about remuneration of executive personnel see note 7 in the consolidated accounts for 2020 and the Remuneration Guidelines available one the Company's website.

No deviations from the Code of Practice.

12. Information and communication

The Company has developed Investor Relations Guidelines and the Company aims to keep shareholders, analysts, investors and other stakeholders continuously updated on the Company's operations and performance. The Company provides information to the market through quarterly and annual reports; investor- and analyst presentations open to the media and by making operational and financial information available on the Company's website. Information of importance is made available to the stock market through notification to the Oslo Stock Exchange in accordance with the Stock Exchange regulations. Information is provided in English. All stock exchange announcements and press releases, including the financial calendar, are made available on the Company's website.

No deviations from the Code of Practice.

13. Take over

The Company has established key principles for how to act in the event of a take-over. In the event of a take-over process, the Board has a duty to ensure that the Company's shareholders are treated equally and that the Company's activities are not unnecessarily interrupted. The Board will also ensure that the shareholders have sufficient information and time to assess the offer.

In the event of a take-over bid, the Board will, in addition to complying with relevant legislation and regulations, seek to comply with the recommendations in the Norwegian Code of Practice for Corporate Governance.

No deviations from the Code of Practice.

14. Auditor

The auditor participates in all Audit Committee meetings. Annually, the auditor submits an audit workplan to the Audit Committee.

The auditor is present at Board meetings where the annual accounts are on the agenda. The auditor will assess any important accounting estimates and matters of importance on which there has been disagreement between the auditor and the Company's executive management and/or the Audit Committee. The auditor shall present to the Board or the Audit Committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement. Further, the Board normally holds a meeting with the auditor at least once a year at which no representative of the executive management is present.

The auditor is required to annually confirm his or her independence in writing to the Audit Committee.

There were no disagreements between management or the Audit Committee and the auditor, EY, during 2020. For the financial year 2020, Johan Lid Nordby was the Company's engagement partner from EY.

The auditor's fee is approved by the AGM. Auditor's fees are disclosed in note 6 in the consolidated accounts for 2020.No deviations from the Code of Practice.

Klaveness Combination Carriers ASA – Consolidated Group

INCOME STATEMENT

Year ended 31 December

(USD '000)	Notes	2020	2019
Freight revenue	3	142 289	130 768
Charter hire revenue	3	20 442	5 752
Total revenues, vessels	3	**162 731**	**136 521**
Voyage expenses	4	(71 592)	(75 194)
Net revenues from operations of vessels		**91 139**	**61 327**
Operating expenses, vessels	5	(37 193)	(29 913)
Group commercial and administrative services	20	(3 538)	(4 396)
Salaries and social expense	7	(1 327)	
Tonnage tax	22	(180)	(163)
Other operating and administrative expenses	6, 7	(776)	(1 093)
Operating profit before depreciation (EBITDA)		**48 125**	**25 763**
Ordinary depreciation	9	(19 155)	(14 070)
Operating profit after depreciation (EBIT)		**28 971**	**11 692**
Finance income	8	529	3 024
Finance costs	8	(14 317)	(14 105)
Profit before tax (EBT)		**15 182**	**612**
Income tax expenses	22	-	(15)
Profit after tax		**15 182**	**597**
Attributable to:			
Equity holders of the parent company		15 182	597
Earnings per Share (EPS):			
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		**0.32**	**0.01**

Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF COMPREHENSIVE INCOME

(USD '000)	2020	2019
	Year ended 31 December	
Profit/ (loss) of the period	**15 182**	**597**
Other comprehensive income to be reclassified to profit or loss		
Net movement fair value on cross-currency interest rate swaps (CCIRS)	1 253	(1 438)
Reclassification to profit and loss (CCIRS)	(3 715)	1 347
Net movement fair value on interest rate swaps	(2 491)	(686)
Net movement fair value FX hedge	-	38
Net movement fair value bunker hedge	87	918
Net movement fair value FFA hedge	(1 814)	85
Net other comprehensive income to be reclassified to profit or loss	**(6 679)**	**265**
Other comprehensive income/(loss) for the period, net of tax	**(6 679)**	**265**
Total comprehensive income/(loss) for the period, net of tax	**8 503**	**862**
Attributable to:		
Equity holders of the parent company	8 503	862

Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF FINANCIAL POSITION

Assets (USD '000)	Notes	31 Dec 2020	Restated* 31 Dec 2019
Non-current assets			
Vessels	9	404 258	315 208
Newbuilding contracts	11	48 441	62 316
Right-of-use assets	10	1 672	1 765
Long-term receivables	7	70	-
Long-term financial assets	13	3 427	202
Total non-current assets		**457 868**	**379 490**
Current assets			
Short-term financial assets	13	87	1 077
Inventories	12	6 159	7 163
Trade receivables and other current assets	14	18 501	14 313
Short-term receivables from related parties	20	742	130
Cash and cash equivalents	15	65 685	57 089
Total current assets		**91 174**	**79 772**
Total assets		**549 043**	**459 262**

Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF FINANCIAL POSITION

Equity and liabilities (USD '000)	Notes	31 Dec 2020	Restated* 31 Dec 2019
Equity			
Share capital	18	5 725	5 725
Share premium		130 155	130 155
Other reserves		(6 511)	316
Retained earnings	16	87 162	76 744
Total equity		**216 532**	**212 941**
Non-current liabilities			
Mortgage debt	13	206 813	169 304
Long-term financial liabilities	13	5 409	3 626
Long-term lease liabilities		1 239	1 395
Bond loan	13	80 649	33 836
Total non-current liabilities		**294 109**	**208 161**
Current liabilities			
Short-term mortgage debt	13	22 473	17 367
Interest bearing liabilities	13	-	1 835
Short-term financial liabilities	13	757	-
Short-term lease liabilities		493	407
Trade and other payables		13 165	17 778
Short-term debt to related parties	20	1 339	617
Tax liabilities	22	175	157
Total current liabilities		**38 401**	**38 161**
Total equity and liabilities		**549 043**	**459 262**

** Restatement described in* note 24

Oslo, 31 December 2020

Oslo, 22 March 2021

Lasse Kristoffersen Chair of the Board	**Engebret Dahm** CEO	**Lori Wheeler Næss** Board member
Magne Øvreås Board member	**Rebekka Glasser Herlofsen** Board member	**Morten Skedsmo** Board member

Klaveness Combination Carriers ASA – Consolidated Group

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
2020 (USD '000)	**Share capital**	**Other paid in capital**	**Treasury shares**	**Hedging reserve**	**Retained earnings**	**Total**
Equity 1 January 2020	**5 725**	**130 155**	**-**	**316**	**76 744**	**212 941**
Profit (loss) for the period	-	-	-	-	15 182	15 182
Other comprehensive income for the period	-	-	-	(6 679)	-	(6 679)
Purchase of own shares	-	-	(147)	-	-	(147)
Share option program	-	-	-	-	39	39
Dividends	-	-	-	-	(4 803)	(4 803)
Equity at 31 December 2020	**5 725**	**130 155**	**(147)**	**(6 363)**	**87 162**	**216 532**

2019 *Restated (USD '000)***	**Share capital**	**Other paid in capital**	**Treasury shares**	**Hedging reserve**	**Retained earnings**	**Total**
Equity 1 January 2019	**4 863**	**92 271**	**-**	**51**	**80 901**	**178 086**
Correction from prior periods*					(937)	(937)
Restated Equity 1 January 2019	**4 863**	**92 271**	**-**	**51**	**79 964**	**177 149**
Profit (loss) for the period	-	-	-	-	597	597
Other comprehensive income for the period	-	-	-	265	-	265
Capital increase (May 20, 2019)	845	37 080	-	-	-	37 925
Capital increase (June 21, 2019)	17	805	-	-	-	822
Share option program	-	-	-	-	3	3
Dividends	-	-	-	-	(3 820)	(3 820)
Equity at 31 December 2019	**5 725**	**130 155**	**-**	**316**	**76 744**	**212 941**

** Restatement is reconciled and explained in note 24.*

Klaveness Combination Carriers ASA – Consolidated Group

CASH FLOW STATEMENT

(USD '000)	Notes	2020	2019
		Year ended 31 December	
Profit before tax		15 182	612
Tonnage tax expensed		180	163
Ordinary depreciation	9	19 155	14 070
Amortization of upfront fees bank loans		693	373
Financial derivatives unrealised loss / gain (-)	8	(342)	3 681
Gain /loss on foreign exchange	8	(4)	(1 074)
Interest income	8	(271)	(1 885)
Interest expenses	8	11 884	9 889
Taxes paid for the period		-	(46)
Change in current assets		(3 797)	(5 090)
Change in current liabilities		(3 438)	9 294
Interest received		271	1 885
A: Net cash flow from operating activities		**39 513**	**31 873**
Acquisition of tangible assets	9	(4 271)	(6 010)
Installments and other cost on newbuilding contracts	11	(88 634)	(158 285)
B: Net cash flow from investment activities		**(92 905)**	**(164 295)**
Proceeds from mortgage debt	13	60 450	93 000
Proceeds from bond loan (KCC04)	13	76 390	-
Buyback of bond loan (KCC03) **	13	(33 861)	-
Transaction costs on issuance of loans	13	(1 914)	(1 596)
Repayment of mortgage debt	13	(17 367)	(13 923)
Terminated financial instruments	13, 8	(3 101)	(630)
Interest paid	8	(11 370)	(9 014)
Repayment of financial lease liabilities	10	(454)	(385)
Purchase of own shares		(147)	-
Capital increase May 20, 2019	18	-	40 096
Transaction costs on capital increase		-	(2 147)
Dividends	18	(4 802)	(3 814)
C: Net cash flow from financing activities		**63 822**	**101 587**
Net change in liquidity in the period (A + B + C)		**10 431**	**(30 836)**
Cash and cash equivalents at beginning of period*		55 254	86 090
Cash and cash equivalents at end of period*		65 685	55 254
Net change in cash and cash equivalents in the period		**10 431**	**(30 836)**

** Cash and cash equivalents includes drawn amount on overdraft facility.*

*** Buyback of KCC03 includes a premium payment of USD 0.8 million.*

Notes

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01 Accounting policies

Corporate information

These consolidated financial statements of Klaveness Combination Carriers ASA and its subsidiaries (collectively referred to as "The Group") for the period ended 31 December 2020 were authorized by the Board of Directors on March 22, 2021. Klaveness Combination Carriers ASA ("the Company") is a private limited company domiciled and incorporated in Norway.

The Parent Company has headquarters and is registered in Drammensveien 260, 0283 Oslo. The share is listed on Euronext Expand (formerly Oslo Axess) with ticker KCC. The Parent Company was established on 23 March, 2018, as a 100 % subsidiary of Klaveness Ship Holding AS.

The objective of the Group is to provide transportation for drybulk, chemical and petroleum product clients, as well as to develop new investment and acquisition opportunities that fit the Group's business platform. The Group has nine CABU vessels, vessels with capacity to transport caustic soda (CSS), floating fertilizer (UAN) and molasses as well as all dry bulk commodities. In addition, the Group has five CLEANBU vessels in operation and three CLEANBU newbuildings with estimated delivery in 1H 2021. The sixth CLEANBU vessel was delivered 11 January 2021. The CLEANBUs are both full-fledged LR1 product tankers and Kamsarmax dry bulk vessels.

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

Basis of preparation

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

The Group's consolidated financial statements comprise Klaveness Combination Carriers ASA (KCC) and all subsidiaries over which the Group has control. Control is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements are capable of exercising control over the company. Non-controlling interests are included in the Group's equity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and consolidation is continued until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company, using consistent accounting principles for similar transactions and events under otherwise similar circumstances.

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

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

Significant estimates and assumptions
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 Klaveness Combination Carriers ASA financial position

Carrying amount of vessels, depreciation and impairment
In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life for the combination carrier vessels is reassessed on a yearly basis. Useful life for all combination carriers is 25 years.

Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices. KCC commits to make recycling of its vessels in compliance with the Hong Kong convention and Norwegian Shipowners Association guidelines. Obtained steel prices for residual value assessment are in line with our strategy. In the assessment of residual value as per 01.01.2021 there is a high degree of uncertainty in current market prices for green recycling. Based on the assessment, the Group concluded to retain a scrap price of $320/ltd as from 01.01.2021.

At the end of each reporting period the Group will assess whether there is any indication of impairment. If any indication exist, the Group 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 2019 and 2020 no indicators for impairment were identified.

Judgments
In the process of applying Klaveness Combination Carriers ASA accounting policies, Management has made the following judgments which have significant effect on the amounts recognised in the financial statements.

Identification of cash generating units for the purpose of impairment testing
The Group 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 (COA's) are not negotiated based on a specific vessel. It is the sum of vessel capacity at any time that determines the optimization of voyages. A portion of the voyages are also executed in the spot market, and KCCC is dependent on operating the vessels as a portfolio according to free vessel capacity and available cargos.

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

Functional and presentation currency

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

Foreign currency transactions

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

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

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

Segment reporting

The operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker, who is responsible for allocating resources, making strategic decisions and assessing performance. The chief operating decision-maker has been identified as the Board of the Company.

The reporting of the combination carriers results separates the CABUs and CLEANBUs as two segments, to better follow up on the performance of the different vessel concepts. CABU vessels are combinations carriers that transport caustic coda solution, floating fertiliser, molasses and all types of dry cargo. The CLEANBU are combination carriers that transport clean petroleum products, heavy liquid cargoes and all types of dry bulk products like alumina, bauxite. Iron ore, salt and coal. The Group identifies and reports its segments based on information provided to the Management and the Board of Directors. Resources are allocated and decisions are made based on this information.

Segment reporting includes financials for the two segments from delivery of the first CLEANBU vessel 10 January 2019.

The Group does not consider the domicile of its customers as a relevant decision making parameter and hence does not consider it meaningful to allocate vessels and related income to specific geographical locations.

Revenue recognition

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

Contracts of affreightments

The combination carriers are employed on both long and short term contracts of affreightments (COAs) as well as in the spot market. The Company's intention is to own tonnage which will be operated mainly under COAs in the wet product market and to a larger degree in the spot market in the dry bulk market, in order to give the COA customers a high degree of flexibility. In addition, the mix of COAs and spot business creates flexibility in optimizing the trading of the fleet. The COA contracts have duration between 1-3 years. Revenue from the Group's COA commitments are classified as freight revenue in the income statement.

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has concluded that the performance obligation under a voyage charter is satisfied over time, and begins from the point at which cargo is loaded until the point at which a cargo is discharged at the destination port.

Other revenue from services, such as demurrage, is recognised when earned and is included in freight revenue.

Performance obligations

IFRS 15 also requires the Group for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent that the contract covers more than one performance obligation, determine whether revenue should be recognised over time or at a point in time and recognise revenue when or as performance obligations are recognised. The Groups' voyage charters and time charter (TC) contracts qualify for recognition over time. The nature of the Group's revenues from TC contracts with its customers is categorised in two groups, the leasing element of the vessel and the service element related to the leased vessel.

Expenses between discharge and load are deferred and amortised over the voyage to the extent it qualifies as cost to fulfil under IFRS 15.

Time-charter (TC) agreements

The time charter revenue is generated from fixed rate time charter contracts. Revenue from time charters are accounted for as lease in accordance with IFRS 16 and is classified as charter hire revenue in the income statement. The Group's time charter contracts have normally a duration of 1-3 months and a significant portion of the risks and rewards of ownership are retained by the lessor (KCC), hence the lease is classified as operating lease. In 2020, The Group entered into one TC agreement with 9 months duration with end date early February 2021. Payments received under operating leases are recognised as revenue on a straight line basis over the lease term.

Voyage and operating expenses

Voyage expenses in the income statement include bunkers cost, port costs and other voyage related expenses.

Vessel operating expenses include crew costs, repairs and maintenance, insurance, stores, lubricant oils and management fees. When a vessel is off hire, vessel operating expenses are mainly for owners account. Voyage and operating expenses are recognised when incurred.

Income tax

The vessel owning company (KCC Shipowning AS) and KCC Chartering AS are subject to taxation under the Norwegian tonnage tax regime. Under the tonnage tax regime, profit from operations is exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

The Parent Company and KCC KBA AS are subject to ordinary Norwegian taxation. Tax expense comprises tax payable and deferred tax expense. Tax payable is measured at the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognised to the extent that it is probable that they can be utilized in the future. Deferred tax liabilities/deferred tax assets within the same tax system that can be offset are recorded on a net basis. Income tax relating to items recognised directly in equity is included directly in equity and not in the statement of income.

During second quarter 2020, the three CLEANBU vessels owned by KCC Shipowning AS was sold to KCC KBA AS, which is subject to ordinary Norwegian taxation. In third quarter 2020 two of the CLEANBUS were sold back to KCC Shipowning AS, and KCC KBA AS owned as per end of December 2020 one CLEANBU, MV Barracuda. Due to unrecognised losses carried forward in the Group, the transfer to ordinary taxation did not have any material impact on the tax expense for the period.
Company tax in Norway is 22 % (22 % in 2019).

Employee benefits

Pension obligations

The Group is required to provide a pension plan towards its employees, and the Group has implemented a defined contribution plan. The plan complies with the requirements in the Mandatory Occupational Pension act in Norway ("Lov om obligatorisk tjenestepensjon"). A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments are available.

Employee share options scheme

Employee share options are calculated at fair value at the time they are granted and charged to expense over the vesting period as payroll cost with a corresponding increase in equity. The market value of the employee share options are estimated based on the Black-Scholes-Merton model.

Vessels, newbuildings and docking

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

Depreciation of vessels

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

Costs of day-to-day servicing, maintenance and repairs are expensed. The useful life and residual values are reviewed at each balance sheet date.

Newbuildings

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

Impairment of vessels and newbuildings

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

Right of use assets

The Company adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospective method. On initial application of IFRS 16, the Company elected to use the exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Lease contracts which is not part of the exemptions are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate. The right-of-use assets are measured at an amount equal to the lease liability at the date of implementation. The right-of-use asset is depreciated on a straight line basis over the lease term.

As a lessee, the Group leases mainly satellite communication and IT equipment onboard the vessels. Under IFRS 16, which was implemented as 1 from January, 2019 the Group recognises right-of-use assets and lease liabilities. The Group previously classified these leases as operating leases in line with IAS 17.

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

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.

Financial assets

Initial recognition and measurement

At initial recognition, financial assets are classified, in the following categories: at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables, and loan to related parties.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 13.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, fuel contracts and interest rate swaps to hedge its foreign currency risks, interest rate risks and to reduce exposure to volatile and potentially rising fuel costs. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

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

As per 31 December 2020 all the Group hedges are classified as cash flow hedges.

At the inception of a hedge relationship, the Group 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 Group 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 Group 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.

Inventories

Fuel bunkers and lubricant oil on board vessels are recorded in the balance sheet at acquisition cost. Acquisition cost is based on FIFO (first in, first out principle). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognised if the net realizable value is lower than the cost price.

Cash and cash equivalents

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

Earnings per share

Basic earnings per share (EPS) are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year. For comparable figures, EPS is calculated based on number of shares at date for establishment of KCC.

The calculation of diluted earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Share issuance

Share issuance costs related to a share issuance transaction are recognised directly in equity. If share issuance costs, for tax purposes, can be deducted from other taxable income in the same period as they are incurred, the costs are recognised net after tax.

Treasury shares

Where KCC has acquired own shares under a share buy-back program, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity and classified as treasury shares. No gain or loss are recognised in profit and loss related to the purchase, sale, issue, reissue or cancellation of KCC's own equity instruments.

Dividends

Dividend payments are recognised as a liability in the Group's financial statements from the date when the dividend is approved by the General Meeting.

Related parties

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, when it is more likely than not that an outflow or resources representing economics benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Events after balance sheet date

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

Classification of items in the balance sheet

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

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

Cash flow statements

The cash flow statements are based on the indirect method.

Standards, amendments and interpretations

The financial statements have been prepared based on standards, amendments and interpretations effective for 2020. There was no material impact of new accounting standards or amendments adopted in the period.

The Group has not early adopted the mandatory amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2021 or later periods.

02 Segment reporting

The Group is an owner and operator of combination carriers and operates mainly within the dry bulk shipping industry and the product tanker industry. As per year-end 2020, the Group owned nine CABUs, five CLEANBUs on water and three CLEANBUs on order with expected deliveries in first half of 2021. The sixth CLEANBU vessel was delivered on 11 January 2021.

The CABUs are from 72,456 dwt to 80,344 dwt and have the capacity to transport caustic soda solution (CSS), floating fertilizer (UAN) and molasses as well as all types of dry bulk commodities.

The CLEANBUs have approximately 82,500 dwt carrying capacity. The CLEANBUs are both full-fledged LR1 product tankers and Kamsarmax bulk carriers transporting clean petroleum products (CPP), heavy liquid cargoes such as CSS, UAN and molasses as well as all types of dry bulk products.

Operating income and operating expenses per segment (USD '000)	2020			2019		
	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Operating revenue, vessels	122 208	40 523	162 731	123 445	13 077	136 521
Voyage expenses	(60 281)	(11 311)	(71 592)	(70 048)	(5 145)	(75 193)
Total operating revenue	**61 926**	**29 212**	**91 139**	**53 397**	**7 932**	**61 327**
	-	-				
Operating expenses, vessels	(23 829)	(13 364)	(37 193)	(21 681)	(8 231)	(29 913)
Group administrative services	(2 251)	(1 287)	(3 538)	(3 494)	(902)	(4 396)
Salaries and social expense	(844)	(483)	(1 327)	-	-	-
Tonnage tax	(134)	(46)	(180)	(143)	(20)	(163)
Other operating and adm expenses	(503)	(272)	(776)	(795)	(298)	(1 093)
Operating profit before depreciation (EBITDA)	**34 364**	**13 760**	**48 125**	**27 284**	**(1 520)**	**25 763**
Ordinary depreciation	(11 643)	(7 513)	(19 155)	(10 706)	(3 364)	(14 070)
Operating profit after depreciation (EBIT)	**22 722**	**6 248**	**28 971**	**16 577**	**(4 884)**	**11 692**

Alternative performance measures (APMs)

Average TCE earnings per onhire day is an alternative performance measure. Description and definition can be found on the Company's homepage: https://www.combinationcarriers.com/alternative-performance-measures

Operating income and operating expenses per segment (USD '000)	2020			2019		
	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Net revenues from operations of vessels	61 926	29 212	91 139	53 397	7 932	61 329
IFRS 15 adjustment	(234)	(512)	(746)	123	557	680
Other revenue	-	(134)	(134)	-	15	15
Net revenue ex IFRS adjustment	61 692	28 566	90 259	53 520	8 504	62 024
Onhiredays	3 102	1 198	4 300	3 171	465	3 636
Average TCE earnings per onhire day ($/d)	**19 886**	**23 851**	**20 990**	**16 877**	**18 300**	**17 060**

03 Revenue from contracts with customers

Disaggregated revenue information

The Group has income from COA contracts (1-3 years duration), spot voyages and TC contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers.

Revenue types (USD'000)	Classification	2020	2019
Revenue from COA contracts	Freight revenue	100 659	98 110
Revenue from spot voyages	Freight revenue	41 631	32 658
Revenue from TC contracts	Charter hire revenue	20 308	5 752
Other revenue	Charter hire revenue	134	-
Total revenue, vessels		**162 731**	**136 521**

The Group had three customers in 2020 that each represented more than ten percent of operating revenue for the Group (USD 29.2 million, USD 19.1 million and USD 17.1 million respectively).

Contract balances

(USD '000)	2020	2019
Trade receivables from charterers (Note 14)	7 470	8 886
Contract assets (Note 14)	3 204	3 107
Contract liabilities	2 369	3 198

Contract assets are accrued income related to ongoing voyages (revenue recognised from load-to-discharge). Contract liabilities is prepaid revenue from customers.

Performance obligations

IFRS 15 also requires the Group for each contract with a customer, to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations to the extent that the contract covers more than one performance obligation, determine whether revenue should be recognised over time or at a point in time and recognise revenue when or as performance obligations are recognised. The Groups' voyage charters and TC contracts qualify for recognition over time. The nature of the Group's revenues from TC contracts with its customers is categorised in two groups, the leasing element of the vessel and the service element related to the leased vessel.

For dry bulk cargo lifted, payment is generally due within 10 days after the cargo is loaded, while payment for wet cargo is due immediately upon discharge.

04 Voyage expenses

(USD '000)	2020	2019
Freight expenses	16 184	16 451
T/C-hire	2 001	3 685
Voyage expenses	52 048	53 983
Fuel hedge settlement	608	311
Various expenses	750	764
Total voyage costs, vessels	**71 592**	**75 194**

05 Operating Expenses

(USD '000)	2020	2019
Technical expenses	11 753	9 154
Crew costs	17 483	12 895
Insurance	2 600	2 205
Crewing agency fee to Klaveness Ship Management AS	1 101	953
Ship management fee to Klaveness Ship Management AS	3 100	2 640
IT fee to Klaveness Ship Managment AS	63	94
Other operating expenses	1 093	1 972
Total operating expenses	**37 193**	**29 913**

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 20 for transactions with related parties.

The pandemic has impacted operating costs in 2020 with higher crew costs, forwarding costs for spare parts and supplies and bunkers costs during off-hire due to deviations or time in quarantine for crew change. Higher than normal costs due to COVID-19 is estimated to be approximately USD 2.8 million.

06 Other operating and administrative expenses

Remuneration to the auditor

(USD '000)	2020	2019
Statutory audit	109	177
Other assurance services	30	37
Total	**139**	**214**

Auditor's fee are stated excluding VAT.

07 Salary

	Women	Men	2020	2019
Employees per year end	2	4	6	-
Average number of employees			5	-

Employment of 5 key personnel were transferred from Klaveness AS to Klaveness Combination Carriers ASA as of 1 February and 1 April 2020. One new employee started 1 August 2020. The Company has six employees as per year end 2020, all located in Norway.

(USD '000)	2020	2019
Salaries and other remuneration	1 247	-
Pension benefit	66	-
Other social costs	5	-
Other personel ralated expenses	8	-
Salaries and social expense	**1 327**	**-**

07 Salary

The Group has defined contributions plan for all employees. The contribution plan includes full-time and part- time employees with more than a 20 % position and comprises 5 % of salary up until 7.1G and 20 % of salary between 7.1G and 12G. As of 31.12.2020 there were six members of the defined contribution plan.

The expense recognised in the current financial period in relation to the contribution plan was USD 66k. The company did not have any employees in 2019.

Remuneration to the management

(USD '000)	Base Salary	Bonus*	Pension benefit	Total
Engebreth Dahm (CEO)	285	28	13	326
Liv Hege Dyrnes (CFO)	160	14	11	185
Total	**445**	**43**	**24**	**512**

*Bonus is the amount received for year presented (earned in the year before).

The Company has provided a loan to CEO Engebret Dahm of USD 50k in connection with his acquisition of shares in the Company. Interest on the loan is set to the norwegian tax administration normal interest rate for the taxation of low-cost loans.

The Board has drawn up guidelines for determining remuneration to executive personnel. The remuneration is based on a base salary, bonus and option scheme. The Company's CEO has an agreement of 12-month severance payment including a 6-month period of notice in case of involuntary resignation or by redundancy.

Bonus scheme

The current bonus scheme is valid for the accounting years 2020 and 2021 and will be evaluated and updated at the end of 2021. Bonus is distributed on an annual basis and is divided into two: i) Formula bonus based on return on equity for the relevant year, and ii) Discretionary element. The cap payment is set at 12 months fixed salary for the CEO and nine months for the CFO. Total bonus, included any discretionary element and holiday allowance, can in no circumstances exceed the individual cap. If not employed for a full year, the cap will be pro-rated according to number of months employed. The cap is reached at 20 % return on equity. The CFO is part of the overall discretionary bonus pool that is distributed among all employees included in the bonus scheme. The discretionary bonus pool is capped at 50 % of overall formula bonus. The discretionary bonus is based on goal achievements and individual performance. Any discretionary bonus to the CEO to be set by the Board, however, total bonus to CEO should never be above the overall cap.

Based on an assessment of performance for 2020 and that goal achievement was 75-80%, the Board of Directors resolved in February 2020 to distribute bonus to the CEO of USD 0.1 million and the CFO of USD 41k for 2020, payable in 2021. This included both formula bonus and a discretionary element. A general bonus provision of USD 0.3 million was accrued as per year end 2020, based on formula bonus calculation.

Option scheme

The CFO and the CEO have been granted 65,280 options, each of one share, in total equal to 0.1 % of the share capital. The options are vested over a period of three years from the grant date, 1/3 per year and first vesting to take place one year after the grant date. Vested options may be exercised at any time as long as the option holder acts within all applicable securities legislation and internal guidelines and is still employed by the company. KCC is entitled to, rather than issuing shares, to settle in cash. Unvested options immediately lapse and expire when an employee becomes a former employee, while the vested options will lapse on the date four months after the employee becomes a former employee as long as this complies with applicable securities legislation. The exercise price is set in NOK based on the average close trading price of the KCC share the last ten days before the grant date. The option scheme includes provisions related to public offers and mergers, adjustments related to changes in share capital among others. See note 16 for more information on options.

Remuneration to the Board of Directors

(USD '000)	2020	2019
Lasse Kristoffersen (Chair of the Board)*	53	57
Magne Øvreås (Board member)	32	38
Morten Skedsmo (Board member)*	32	38
Lori W. Næss (Board member)	32	38
Rebekka G. Herlofsen (Board member from 27 April 2020)	21	-
Stephanie S. Wu (Board member until 27 April 2020)	11	38
Total	**180**	**208**

**Remuneration paid to Klaveness AS as employees of Klaveness AS. Compensation for Board work is thus included in the regular salary since such positions are a part of their regular employment.*

Rebekka Glasser Herlofsen joined the Board of Directors in April 2020, while Stephanie Wu stepped down.

Board remuneration is proposed by the Nomination Committee and approved by the Annual General meeting. The Directors receive a fixed payment for the year based on the Board position, i.e. the Chair receives higher pay than the Board Members, which have an equal pay. The Directors do not receive profit-related remuneration, share options or retirement benefits. Board Members participating in committees such as the Audit Committee did not receive extra payment for these tasks, however, this will be evaluated prior to the Annual General Meeting in 2021.

08 Financial items

Finance income (USD '000)	2020	2019
Other interest income	398	1 885
Fair value changes in forward freight agreements	-	21
Gain on foreign exchange	131	1 074
Other financial income	-	43
Finance income	**529**	**3 024**

Finance cost (USD '000)	2020	2019
Interest paid to related parties	-	202
Interest expenses mortgage debt	7 729	7 563
Interest expenses bond loan	4 062	2 124
Interest expenses lease liabilities	94	96
Amortization capitalized fees on loans	693	373
Other financial expenses*	906	86
Fair value changes in forward freight agreements	21	-
Fair value changes and realization effects of interest rate swaps**	687	3 660
Loss on foreign exchange	126	-
Finance cost	**14 317**	**14 105**

**Includes premium from buyback of KCC03 in February 2020 and December 2020. Respectively USD 0.6 million and USD 0.2 million.*
***2020 includes realized effect from terminated cross-currency interest rate swap against Klaveness Ship Holding AS of USD 0.3 million. 2019 includes unrealised effect from non-cash fair value changes of derivatives. Interest rate swaps have been treated as hedges with fair value changes over other comprehensive income in 2020. Total cash effect on realisation of cross-currency interest rate swap was USD 3.1 million.*

09 Vessels

Vessels (USD '000)	31 Dec 2020	31 Dec 2019
Cost price 1.1	492 075	330 218
Delivery of newbuildings	103 708	155 847
Adjustment acquisition value newbuildings delivered	(809)	-
Additions (mainly upgrading and docking of vessels)	4 852	6 010
Costprice end of period	**599 826**	**492 075**
Acc. Depreciation 1.1	176 866	163 181
Depreciation vessels	18 702	13 685
Acc. Depreciation end of period	**195 568**	**176 866**
Carrying amounts end of period*	**404 258**	**315 208**

**) carrying value of vessels includes dry-docking*

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

09 Vessels

Reconciliation of depreciations (USD '000)	31 Dec 2020	31 Dec 2019
Depreciation vessels	18 702	13 685
Depreciation right of use assets	453	385
Depreciations for the period	**19 155**	**14 070**

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

The CLEANBU vessels MV Baleen and MV Bangus were delivered from Jiangsu New Yangzi Shipbuilding Co. Ltd, respectively, 4 August 2020 and 13 October 2020. The COVID-19 situation has made delivery of newbuilds in China more challenging and costly. It has not been possible to get KCC's crew into China during most of 2020, hence Chinese crew have been employed to sail the two delivered newbuilds to South Korea for crew change. The time from delivery until start of trading has hence increased by an average of 38 days compared to the vessels delivered in 2019. The result was increased costs and less on-hire days.

The CABU vessels MV Bantry, MV Bangor and MV Banasol have performed scheduled dry-docking in 2020 of in total USD 4.8 million. Dry-docking of MV Banasol was completed early January 2021 and related addition in late 2020 of USD 1.7 million is presented as prepaid expense.

Pledged vessels
All owned vessels are pledged to secure the various loan facilities (refer to note 12 for further information).

Impairment assessment
Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. The Group has experienced somewhat higher opex and more offhire caused by Covid-19, however, TCE earnings for 2020 for both the fleet of CABUs and the fleet of CLEANBUs and diversified market exposure support the conclusion of no impairment indicators identified as per 31 December 2020. Contract coverage for the CABUs for 2021 is high, while the CLEANBUs will trade in the spot market. The CLEANBU fleet shows good progress expanding service into the clean petroleum product markets. New milestones related to acceptance from new customers and new ports as well as expanding into new trading patterns are reached every quarter.

10 Leasing

The Group as a lessee

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

Right-of-use assets (USD '000)	2020	2019
Cost price 1.1	2 150	1 693
Addition of right-of-use assets	360	546
Disposals	-	(89)
Costprice end of period	**2 510**	**2 150**
Depreciation right of use assets	838	385
Acc. Depreciation end of period	**838**	**385**
Carrying amounts end of period	**1 672**	**1 765**

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows (USD '000)	Total
Less than 1 year	579
1-5 years	1 300
More than 5 years	-
Total undiscounted lease liabilities at 31 December 2020	**1 879**

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

11 Newbuildings

The Group has per 31 December 2020 three CLEANBU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China, whereof MV Baiacu was delivered 11 January 2021 (note 23), and the last two newbuildings will be delivered first half 2021. The Group took delivery of the fourth and fifth CLEANBU vessel, MV Baleen and MV Bangus, in respectively August and October 2020 (note 9).

The fleet of newbuildings are fully financed (note 13).

(USD '000)	31 Dec 2020	31 Dec 2019
Cost 1.1	62 316	59 877
Borrowing cost	1 023	1 302
Yard installments paid	80 851	148 170
Other capitalized cost	7 960	8 813
Delivery of newbuildings	(103 708)	(155 847)
Net carrying amount	**48 441**	**62 316**

Capital commitments
The commitments related to the three newbuildings as per 31 December 2020 are set out below:

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

12 Inventories

(USD '000)	31 Dec 2020	31 Dec 2019
Bunkers	5 075	6 349
Spare parts	166	-
Luboil	918	814
Inventories	**6 159**	**7 163**

Inventories relates to bunkers and luboil on board vessels.

13 Financial assets and financial liabilities

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

In 2020 the Group issued a senior unsecured bond loan (KCC04) of NOK 700 million (NOK 500 million in February 2020 and NOK 200 million in September 2020) which is listed on Oslo Stock Exchange . KCC04 has a bullet structure with full repayment at maturity in February 2025 and the bond loan carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments. The bond loan is swapped to fixed rate USD and fixed interest rate (cross currency interest rate swaps /CCIRS). The CCIRS qualify for hedge accounting and is recognised at fair value with changes through other comprehensive income.

During 2020 the Group also repaid the KCC03 bond loan in full.

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

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

13 Financial assets and financial liabilities

Mortgage debt (USD '000)	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	76 763
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	93 311
SEB/SR-Bank/SPV Facility*	Term loan/RCF, 90.675 mill	LIBOR + 2.3 %	October 2025	60 450
Nordea/Crédit Agricole Facility**	Term loan/RCF, 60 mill	LIBOR + 2.75 %	March 2026	-
Capitalized loan fees				(1 239)
Mortgage debt 31 December 2020				**229 285**

** Facility relates to financing of the three CLEANBU vessels with delivery in 2020 and January 2021. Additional USD 15 million of the USD 30.225 million RCF facility was drawn in January 2021 upon delivery of MV Baiacu.*
*** Facility relates to financing of the two CLEANBU vessels with delivery in 2021. Potential margin adjustments up to +/- 10 bps once every year based on sustainability KPIs.*

Bond loan	Face value NOK'000	Year of maturity	Carrying amount USD'000
KCC03	300 000	27.05.2021	35 370
Buyback KCC03 (Q1 2020)	(158 000)		(16 999)
Buyback KCC03 (Q4 2020)	(142 000)		(16 051)
Realised agio			(2 320)
Capitalized expenses			-
Sum KCC03	**-**		
KCC04	700 000	11/02/2025	76 390
Exchange rate adjustment			5 602
Capitalized expenses			(1 032)
Bond discount			(310)
Sum KCC04			80 649
Total bond loan	**700 000**		**80 649**

Interest bearing liabilities (USD '000)	Fair value 31 Dec 2020	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019
Mortgage debt	208 052	208 052	170 074
Capitalized loan fees	-	(1 239)	(770)
Bond loan	78 097	81 991	34 023
Bond premium	-	(310)	-
Capitalized expenses bond loan	-	(1 032)	(187)
Total non-current interest bearing liabilties	**286 148**	**287 462**	**203 139**
Mortgage debt, current	22 473	22 473	17 367
Overdraft facility (Secured)	-	-	1 835
Total interest bearing liabilities	**308 621**	**309 934**	**222 341**

Maturity profile to financial liabilities at 31 December 2020
The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt and unsecured debt include interest payments and interest hedge.

Maturity profile financial liabilities at 31 December 2020 (USD '000)	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	(29 422)	(167 733)	(52 920)	-	(250 075)
Bond loan (incl interest)	(4 757)	(9 515)	(80 678)	-	(94 950)
	(34 179)	**(177 248)**	**(133 598)**	**-**	**(345 025)**

13 Financial assets and financial liabilities

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

Covenants

As per 31 December 2020, the Group is in compliance with all financial covenants. On Group level financial covenants relate to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million). Financial covenants on KCC Shipowning AS 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. Some changes were made to the financial covenants applicable to the mortgage bank facilities during 2020. KCC entered as a guarantor in the facilities and financial covenants were aligned with the bond covenants. In addition, the facilities still include the existing cash covenant on KCC Shipowning AS level, while the NIBD/EBITDA covenant on KCC Shipowning AS level improved. The covenants apply for the entire tenor of the facilities. 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 and earnings accounts, and assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral and mortgaged assets (USD '000)	2020	2019
Vessels	404 258	315 208
Bunkers	5 075	6 349
Accounts receivables	18 501	14 869
Total book value of collateral and mortgaged assets	**427 833**	**336 426**

Risk management activities

To reduce interest rate risk, the Group has entered into vairous interest rate swaps derivaties, such as interest rate swaps, caps and cross-currency interest rate swap (CCIRS). Interest rate swaps and CCIRS qualify for hedge accounting. These instruments have combined notional value of USD 197.5 million and duration until 2023-2028. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income. The Group also holds interest rate options recognised at fair value through profit and loss.

The Group has also entered into bunker fuel swaps and forward freight agreements (FFA) that qualify for hedge accounting. The Group use bunker fuel swaps to hedge a portion of its floating bunkers cost to a fixed cost for bunkers to reduce the Group's exposure to changes in bunkers prices. Similarly, the Group can use FFAs to fix freight rates in a future period to reduce its exposure to the dry bulk freight market (via open capacity and index linked COA commitments).

Financial assets (USD '000)	31 Dec 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	2 917	-
Interest rate swaps	356	-
Fuel hedge	87	-
Forward freight agreements	-	1 056
Financial instruments at fair value through P&L		
Forward freight agreements	-	21
Interest rate swaps	154	202
Financial assets	**3 515**	**1 279**
Current	87	1 077
Non-current	3 427	202

Financial liabilities (USD '000)	31 Dec 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	-	1 438
Interest rate swaps	5 409	364
Forward freight agreements	757	-
Financial instruments at fair value through P&L		
Interest rate swaps	-	1 825
Financial liabilities	**6 166**	**3 626**
Current	757	-
Non-current	5 409	3 626

13 Financial assets and financial liabilities

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

(USD '000)	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2020	Fair value 31 Dec 2019
Financial assets at fair value through OCI				
Interest rate swaps	356	0	356	-
Forward freight agreements	-	1 056	-	1 056
Fuel hedge	87		87	
Cross-currency interest rate swap	2 917	-	2 917	-
Financial assets at fair value through profit or loss				
Forward freight agreements	-	21	-	21
Interest rate swaps	154	202	154	202
Total financial assets at fair value	**3 515**	**1 279**	**3 515**	**1 279**
Loans and receivables at amortised cost				
Accounts receivable	7 577	8 886	7 577	8 886
Receivables from related parties	742	130	742	130
Total loans and receivables	**8 319**	**9 016**	**8 319**	**9 016**
Cash and cash equivalents	**65 685**	**57 089**	**65 685**	**57 089**
Total financial assets	**77 518**	**67 384**	**77 518**	**67 384**
Total current	74 091	66 105	74 091	66 105
Total non-current	3 427	1 279	3 427	1 279

(USD '000)	Carrying amount 31 Dec 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2020	Fair value 31 Dec 2019
Financial liabilities at fair value through OCI				
Interest rate swaps	5 409	364	5 409	364
Cross-currency interest rate swap	-	1 438		1 438
Forward freight agreements	757	-	757	-
Financial liabilities at fair value through P&L				
Interest rate swaps	-	1 825	-	1 825
Total financial liabilities at fair value	**6 166**	**3 626**	**6 166**	**3 626**
Other financial liabilities at amortised cost				
Accounts payable	937	7 618	937	7 618
Interest bearing debt, non-current	206 813	169 304	208 052	170 074
Interest bearing debt, current	22 473	17 367	22 473	17 367
Bond loan	80 649	33 836	78 097	34 438
Overdraft facility	-	1 835	-	1 835
Interest bearing debt to group companies	-	-	-	-
Current debt to related parties	1 339	617	1 339	617
Total financial liabilities at amortised cost	**312 210**	**230 576**	**310 896**	**231 949**
Total financial liabilities	**318 375**	**234 202**	**317 062**	**235 575**
Total current	24 748	27 437	24 748	27 437
Total non-current	293 627	206 766	292 314	208 138

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

13 Financial assets and financial liabilities

Fair value hierarchy

The Group uses financial hierarchy under IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2020:

31 Dec 2020 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		356		**356**
Forward freight agreements		-		**-**
Financial assets at fair value through OCI				
Fuel hedge		87		**87**
Cross-currency interest rate swap		2 917		**2 917**
Interest rate swaps		154		**154**

31 Dec 2020 Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		-		**-**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt, non-current			208 052	**208 052**
Mortgage debt, current			22 473	**22 473**
Overdraft facility			-	**-**
Bond loan		78 097		**78 097**
Financial liabilities at fair value through OCI				
Forward freight agreements		757		**757**
Interest rate swaps		5 409		**5 409**

31 Dec 2019 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		202		**202**
Forward freight agreements		21		
Financial assets at fair value through OCI				
Interest rate swaps		322		**322**
Forward freight agreements		1 056		**1 056**

31 Dec 2019 Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 825		**1 825**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Interest bearing debt to group companies				**-**
Mortgage debt, non-current			170 074	**170 074**
Mortgage debt, current			17 367	**17 367**
Overdraft facility			1 835	**1 835**
Bond loan			34 438	**34 438**
Financial liabilities at fair value through OCI				
Cross currency interese rate swap		1 438		**1 438**
Interest rate swaps		364		**364**

13 Financial assets and financial liabilities

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

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

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

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

	Liabilities				Equity		Total
31 Dec 2020 Assets (USD'000)	**Interest payable**	**Current lease liabilites**	**Interest bearing short-term debt**	**Interest bearing long-term debt**	**Share capital/ premium/ reserve**	**Other equity**	**Total**
Balance at 1 January 2020		**407**	**17 367**	**203 140**	**136 197**	**76 744**	**417 721**
Repayment of mortgage debt	(11 370)		(17 367)				(28 737)
Proceeds from mortgage debt				60 450			60 450
Repayment bond loans				(33 861)			(33 861)
Proceeds from bond loan				76 390			76 390
Transaction costs on issuance of loans				(1 914)			(1 914)
Interest paid							-
Purchase of own shares					(147)		(147)
Repayment of lease		(454)					(454)
Terminated financial instruments						(3 101)	(3 101)
Dividends						(4 802)	(4 802)
Total Changes from financing cash flow	**(11 370)**	**(454)**	**(17 367)**	**101 064**	**(147)**	**(7 903)**	**63 823**
Liability- related							
Expensed capitalised borrowing costs				693			693
Non-cash movement		540	22 473	(17 435)			5 578
Total liability- related changes		**540**	**22 473**	**(16 743)**	**-**	**-**	**6 270**
Total equity-related other changes					**(316)**	**11 958**	**11 642**
Balance at 31 December 2020		**493**	**22 473**	**287 461**	**135 734**	**80 799**	**499 456**

	Liabilities				Equity		Total
31 Dec 2020 Assets (USD'000)	**Interest payable**	**Current lease liabilites**	**Interest bearing short-term debt**	**Interest bearing long-term debt**	**Share capital/ premium/ reserve**	**Other equity**	**Total**
Balance at 1 January 2019			**12 200**	**131 746**	**97 185**	**80 901**	**314 913**
Repayment of mortgage debt	-		(13 923)				(13 923)
Proceeds from mortgage debt				93 000			93 000
Transaction costs on issuance of loans				(1 596)			(1 596)
Interest paid	(9 014)						(9 014)
Capital increase (net of transaction costs)					37 949		37 949
Dividends						(3 814)	(3 814)
Terminated financial instruments						(630)	(630)
Repayment of lease		(385)					(385)
Total Changes from financing cash flow	**(9 014)**	**(385)**	**(13 923)**	**91 404**	**37 949**	**(4 444)**	**101 586**
Liability- related							
Expensed capitalised borrowing costs				373			373
Non-cash movement		792	19 090	(20 384)			(502)
Total liability- related changes	**-**	**792**	**19 090**	**(20 010)**	**-**	**-**	**(129)**
Total equity-related other changes					**1 063**	**287**	**1 351**
Balance at 31 December 2019		**407**	**17 367**	**203 140**	**136 197**	**76 744**	**417 721**

14 Trade receivables and other current assets

(USD '000)	2020	2019
Trade receivables from charterers	7 470	8 886
Contract assets	3 204	3 107
Prepaid expenses	4 538	1 604
Claims	167	61
Other short term receivables	3 122	655
Trade receivables and other current assets	**18 501**	**14 313**

Accounts receivable comprise all items that fall due for payment within one year after the balance sheet date. For dry bulk cargo lifted, payment is generally due within 10 days after the cargo is loaded, while payment for wet cargo is due immediately upon discharge. Trade receivables are non-interest bearing.

Claims consist of insurance claims for incidents which are expected to be settled within next year.

15 Cash and cash equivalents

The Group has bank deposits in the following currencies:

(USD '000)	2020	2019
Bank deposits, NOK	653	246
Bank deposits, USD	64 670	56 621
Cash	291	222
Payroll withholding tax account (restricted cash, NOK)	70	-
Total cash and cash equivalents	**65 685**	**57 089**

16 Share options program

In December 2019, the Board approved the adoption of a share options program, and 65,280 share options to senior management (CEO and CFO) were issued at the same date. The share options have an exercise price of NOK 46.14, adjusted for any distribution of dividends made before the relevant options are excercised. The share options have a five year term and vest over a three year period equally at a rate of 1/3 of the number of share options granted on each annual anniversary of the date of grant, subject to the option holder continuing to be employed by the Company from the grant date through the applicable vesting date. The share options have no voting or other shareholder rights.

The fair value of the share options granted was calculated on the Black-Scholes method. The significant assumptions used to estimate the fair value of the share options are set out below:

16 Share options program

	Model inputs
Dividend yield (%)	-
Expected volatility (%)*	40 %
Risk-free interest rate (%)	1,28 %
Expected life of share options (year)	5
Weighted average share price (NOK)	45,9

*The expected volatility reflects the assumption that the historical shipping industry average is indicative of future trends, which may not necessarily be the actual outcome.
**We used the average five-year Norwegian Government bond risk-free yield-to-maturity rate of 1.28 % as of 2019 as an estimate for the risk-free rate to match the expected five year term of the share options.

The following table summarizes the unvested option activity for the year ended 31 December 2020:

Number of shares	Average exercise price	2020
Outstanding at 1 January 2020	NOK 46.14	65 280
Granted during the year		-
Exercised during the year		-
Forfeited during the year		-
Expired during the year		-
Outstanding at 31 December 2020		**65 280**

The fair value of the share options granted is calculated to USD 128k, i.e USD 1.96 per share option. The cost incurred in 2020 is USD 39k (2019: USD 3k).

17 Financial risk management

Capital management
The Group intends to maintain an efficient capital structure, provide financial ability to execute on the strategy and ensure the Group has sufficient liquidity to meet liabilities and commitments as they fall due. Targets have been defined for equity ratio and minimum liquidity. The equity ratio as of 31 December 2020 was 39 % (2019: 46 %) and cash was USD 65.7 million. The Group's covenants are described in note 13.

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

The Group aims to spend free cash flows as follows:

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

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group, the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 13), Bond loan (note 13), overdraft facility (note 13), cash and cash equivalents and equity attributable to the shareholders.

Financial risk
The Group is exposed to e.g. 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 Group's Executive Management oversees that the management of these risks are governed by appropriate policies and procedures. The Board of Directors reviews and agrees policies for managing these risks.

Operational risk
Operational risks are mainly related to the operation of vessels. The Group's vessels are on technical management to Klaveness Ship Management AS (affiliated company) which ensures compliance with IMO, flag and port state regulations. Quality and safety audits are

17 Financial risk management

performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met.

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

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

Market risk
Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Group's vessels. These risks are to some extent managed through contracts of affreightment covering a large part of the Group's fleet capacity for the current year and covering part of the exposure for the next 1-2 years.

A significant expense for transport at sea is bunkers. The price of fuel is unpredictable and fluctuates based on events outside the Group's control, including geopolitical developments, supply and demand for oil and gas, actions of OPEC and other energy producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. To reduce the risk of fluctuations in bunker fuel prices, the Group may decide to hedge the bunker price exposure by the use of bunker fuel swaps or options to hedge the inherent fuel oil exposure in its freight contracts or include bunker adjustment factors (BAF) in the contracts.

The Group has fuel swaps of USD 87K as of 31.12.2020.

Foreign currency risk and interest rate risk
The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of all significant entities in the Group. 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 Group's interest bearing debt that is exposed to floating interest rate, and the Group has some of its costs in other currencies than USD. The Group has bond debt denominated in NOK, however, the FX-effect is currently fixed to USD. Long term mortgage debt bear interest at LIBOR plus an applicable margin. In order to hedge the risk, the company has entered into interest rate swaps. At 31 December 2020, 46 % of the floating interest mortgage debt loans are hedged. The Group evaluates on an ongoing basis the need to adjust interest rate exposure.

The table below shows estimated changes in profit before tax for the Group from changes in interest rates in 2020 and 2019, with all other variables held constant. The changes are estimated based on given capital structure as of year-end.

(USD '000)	Change in interest rate	2020	2019
USD LIBOR	+1,00%	1 220	776
	+ 0,5%	610	388
	- 0,50%	(180)	(388)

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

The Group has two newbuildings on order (MV Baiacu delivered 11 January 2021). Risk of delays and failure of the yard to deliver exist. Tier one Chinese banks have provided refund guarantees. Further, the Group is exposed to credit risk through its deposits. Deposits are currently made with investment grade financial institutions with A rating or higher from public rating agency.

Total unrisked credit risk at 31 December 2020 amounts to USD 76.3 million (book value of receivables and bank deposits).

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

The Group has capital commitments relating to borrowings and newbuildings. The Group 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 for all needs in the foreseeable future. The Group's bank financing is subject to financial and non-financial covenants.The table below illustrates the timing and magnitude of the Group's financial liabilities.

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

17 Financial risk management

Maturity profile financial liabilities 31 Dec 2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	29 422	167 733	52 920	-	250 075
Bond loan (incl interest)	4 757	9 515	80 678	-	94 950
Trade and other payables	13 165	-	-	-	13 165
Current debt to related parties	1 339	-	-	-	1 339
	48 683	**177 248**	**133 598**	**-**	**359 529**

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

Maturity profile financial liabilities 31 Dec 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	25 184	102 651	81 043	-	208 879
Interest bearing debt to related parties	2 464	36 218	-	-	38 681
Other interest bearing liabilities	1 835	-	-	-	1 835
Trade and other payables	16 841	-	-	-	16 841
Current debt to related parties	617	-	-	-	617
	46 941	**138 869**	**81 043**	**-**	**266 853**

18 Share capital, shareholders, dividends and reserves

Date	Share	Adjusted for share split	Notional (NOK)	Share capital (NOK)
Shares and share capital 23 March 2018	100 000	25 000 000	10	1 000 000
Shares issued 30 April 2018	129 081	32 270 250	10	1 290 810
Shares issued 10 September 2018	32 270 250	32 270 250	1	32 270 250
Shares issued 12 October 2018	40 512 000	40 512 000	1	40 512 000
Shares and share capital at 31 December 2018	**40 512 000**			**40 512 000**
Shares issued 15 May 2019	47 880 000	47 880 000	1	47 880 000
Shares issued 26 June 2019	48 027 000	48 027 000	1	48 027 000
Shares and sharecapital at 31 December 2019	**48 027 000**			**48 027 000**
Shares and sharecapital at 31 December 2020	**48 027 000**			**48 027 000**

Dividends of USD 4.8 million were paid to the shareholders in 2020 (in average USD 0.12 per share).

All shares have equal voting rights and equal rights to dividends. The ordinary shares are listed on Euronext Expand (formerly Oslo Axess). KCC owns a total of 40,078 in treasury shares, corresponding to 0.083 % of the total number of issued shares. Purchase of own shares is completed in accordance with the authorization to the Board of Directors to acquire treasury shares granted by the General Meeting on 27 April 2020.

Earnings per Share (EPS) in Income Statement is calculated based on average number of shares for the period.

18 Share capital, shareholders, dividends and reserves

Largest shareholders at 31 Dec 2020	Ownership Number of shares	Ownership In%
Klaveness Ship Holding AS	25 845 950	53.8 %
EGD shipholding AS	8 805 128	18.3 %
Hundred Roses Corporation	2 197 250	4.6 %
Goldman Sachs & Co. LLC (nominee)	1 799 479	3.7 %
Verdipapirfondet Nordea Norge Verd	1 123 773	2.3 %
J.P. Morgan Bank Luxembourg S.A. (nominee)	700 000	1.5 %
T.D. VEEN AS	686 497	1.4 %
SIX SIS AG (nominee)	545 738	1.1 %
J.P. Morgan Bank Luxembourg S.A. (nominee)	455 166	0.9 %
Equinor Pensjon	409 803	0.9 %
Other	5 458 216	11.4 %
Total	**48 027 000**	**100%**

Management and members of the Board which hold shares in the Company are set out below:

Name	Position	Number of shares
Engebret Dahm	Chief Executive Officer	20 532 (held through E Dahm Invest AS)
Liv Hege Dyrnes	Chief Financial Officer	6 500
Lasse Kristoffersen	Chair of the Board	3 000 (held through B7 Invest AS). Owns 0.7% of Rederiaksjeselskapet Torvald Klaveness which holds 25 845 950 shares through Klaveness Ship Holding AS.
Morten Skedsmo	Board member	225
Lori Wheeler Næss	Board member	2 105
Magne Øvreås	Board member	Owns 8.5 % of EGD Shipholding AS which holds 8 805 128

19 Commitments and guarantees

Capital commitments
The Group has capital commitments related to borrowings and newbuildings. For information of maturity profile for mortgage debt, see note 13 and note 17. Commitments related to newbuildings are presented in note 11. Available facilities is presented in note 13.

Guarantees
Below is a list of guarantees given at 31 December 2020.

Guarantee to	Description	Amount
Jiangsu New Yangzi Shipbuilding Co., Ltd	Klaveness Combination Carriers ASA guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the yard for the 3rd and 4th installments for the shipbuilding contracts YZJ 2015-1229 and 1247	USD 9.3 million per newbuilding + 5 % interest p.a.

20 Transactions with related parties

Services
The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS, which own 53.82 % of the shares in Klaveness Combination Carriers ASA.

The Group has undertaken several agreements and transactions with related parties 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 Group such as accounting, legal, IT services and office premises. The G&A fee is reduced from 2019 due to transfer of management and key employees from Klaveness AS to Klaveness Combination Carriers ASA in 2020. Fee related to CEO time in 2019 amounts USD 385k. Commercial management services (Commercial management fee) covering chartering and operation are also purchased from Klaveness AS, as well as site supervision fee related to new buildings. Services for projects, research and development are purchased from Klaveness Ship Management AS.

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).

Commercial and administrative services (USD '000)	2020	2019
G&A fee to Klaveness AS	1 614	2 238
Commercial management fee to Klaveness AS	1 588	1 628
Projects and R&D fee to Klaveness Ship Management AS	180	-
Travel expenses and operating cost reinvoiced from Klaveness AS	156	530
Group commercial and administrative services	**3 538**	**4 396**

Other services (USD '000)	2020	2019
Technical management fee to KSM* (reported as part of opex)	3 163	2 735
Crewing agency fee to KSM* (reported as part of opex)	1 101	953
Supervision fee to Klaveness AS (capitalised on newbuildings)	1 778	2 075
Interest cost to related parties (Klaveness Ship Holding AS)	-	202
Total other transactions with related parties	**6 042**	**5 965**

** KSM refers to Klaveness Ship Management AS*

Intercompany balances

Receivables and debt to related parties (USD '000)	2020	2019
Klaveness AS	742	130
Current receivables from related parties	**742**	**130**
Klaveness AS	-	234
Klaveness Ship Management AS	1 127	38
Klaveness Chartering AS	212	345
Current debt to related parties	**1 339**	**617**

Bond loan - Change of debitor
An unsecured bond loan of NOK 300 million changed debtor from Klaveness Ship Holding AS (major shareholder of KCC) to Klaveness Combination Carrier ASA in end January 2019 (note 12). To reduce the risk for changes in currency and interest rate on the bond loan, the Group entered into a cross-currency interest rate swap agreement (CCIRS) with Klaveness Ship Holding AS (note 12). The bond loan and CCIRS were repaid during 2020.

21 List of subsidiaries

Klaveness Combination Carriers ASA comprises several subsidiaries. Presented below is a list of all subsidiaries. Unless otherwise stated, the companies are located in Oslo, Norway.

Company name	Ownership interest per 31 Dec 2020	Ownership interest per 31 Dec 2019
KCC Shipowning AS	100%	100%
KCC KBA AS	100%	100%
KCC Chartering AS	100%	100%

22 Taxes

Tonnage tax
Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. Within the Group, the subsidiaries KCC Shipowning AS and KCC Chartering AS are subject to tonnage taxation. Companies within the tonnage tax system pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed under the Norwegian tonnage tax regime, however only a portion of the interest cost and net currency expenses are deductible.

Ordinary taxation
The parent company (Klaveness Combination Carriers ASA) and the subsidiary KCC KBA AS is under ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2020 (2019: 22 %).

The parent company is a holding company with negative taxable income as per December 31, 2020. During 2020, KCC KBA AS for a period owned 3 vessels and revenue related to these were subject to ordinary taxation.Deferred tax assets are only recognised to the extent that future utilization within the Group can be justified as per December 31, 2020. As a consequence, a tax position of USD 8.1 million per December 31, 2020 has not been recognised in the balance sheet.

22 Taxes

Income taxes for the year (USD '000)	31 Dec 2020	31 Dec 2019
Income taxes payable	-	-
Change in deferred tax	-	15
Total tax expense / income (-) reported in the income statement	**-**	**15**
Tax on net (gain)/loss on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

Tax payable (USD '000)	Income	31 Dec 2020 Tax effect	Income	31 Dec 2019 Tax effect
Profit / loss (-) before taxes, incl OCI	8 503	1 871	612	135
Income from shipping activity, tonnage tax system	(26 779)	(5 891)	(11 692)	(2 572)
Change in temporary differences	5 787	1 273	4 115	905
Limitation in interest deduction	-	-	-	-
Change in tax losses carried forward	9 917	2 182	6 920	1 522
Exchange rate differences / Other permanent differences	2 572	566	45	10
Tax payable in the balance sheet	**-**	**-**	**-**	**-**
Effective tax rate		0%		0%
Tonnage tax (included in operating profit)		175		157
Total tax payable in the balance sheet		**175**		**157**

Temporary differences - ordinary taxation (USD '000)	Temporary difference	31 Dec 2020 Tax effect	Temporary difference	31 Dec 2019 Tax effect
Temporary differences	(9 761)	(2 148)	(3 974)	(874)
Tax losses carried forward	(27 199)	(5 984)	(17 282)	(3 802)
Deferred tax asset not recognised in the balance sheet	36 960	8 131	21 256	4 676
Net temporary differences - deferred tax liability/asset (-)	**-**	**-**	**-**	**-**
Deferred tax asset in balance sheet		**-**		**-**
Deferred tax liability in balance sheet		**-**		**-**

23 Events after the balance sheet date

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

On 18 February 2021, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 1.44 million for Q4 (USD 0.03 per share).

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

24 Restatement of 2019

Assets (USD '000)	1 Jan 2019	Adjustment	Restated 1 Jan 2019
Total non-current assets	228 786	-	228 786
Total current assets	105 074	-	105 074
Total assets	**333 860**	**-**	**333 860**

Equity and liabilities (USD '000)	1 Jan 2019	Adjustment	Restated 1 Jan 2019
Total equity	178 086	(937)	177 149
Total non-current liabilities	132 196	-	132 196
Total current liabilities	23 577	937	24 514
Total equity and liabilities	**333 859**	**-**	**333 860**

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

Klaveness Combination Carriers ASA – Parent Company

INCOME STATEMENT

(USD '000)	Notes	2020	2019
Service and management fee income	5	763	-
Total revenues		**763**	**(2 336)**
Group administrative services	5	(1 232)	(1 370)
Salaries and social expense	Group 7	(1 327)	-
Other operating and administrative expenses	2	(647)	(966)
Operating profit (EBITDA)		**(2 442)**	**(2 336)**
Operating profit after depreciation (EBIT)		**(2 442)**	**(2 336)**
Finance income	8	921	4 215
Finance costs	8	(8 421)	(3 889)
Profit before tax		**(9 943)**	**(2 010)**
Income tax expenses	6	1 810	-
Profit after tax		**(8 133)**	**(2 010)**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

(USD '000)	Notes	2020	2019
Profit/ (loss) of the period		**(8 133)**	**(2 010)**
Other comprehensive income to be reclassified to profit or loss			
Net movement fair value on cross-currency interest rate swaps (CCIRS)		(5 379)	(1 438)
Reclassification to profit and loss (CCIRS)		2 917	1 347
Other comprehensive income/(loss) for the period, net of tax		**(2 462)**	**(91)**
Total comprehensive income/(loss) for the period, net of tax		**(10 594)**	**(2 101)**
Attributable to:			
Equity holders of the parent company		(10 594)	(2 101)

Klaveness Combination Carriers ASA – Parent Company

STATEMENT OF FINANCIAL POSITION

Year ended 31 December

Assets (USD '000)	Notes	31 Dec 2020	31 Dec 2019
Non-current assets			
Investment in subsidiaries	3	248 115	248 115
Deferred tax asset	6	1 810	-
Long-term loan to related parties	5	6 500	-
Financial assets	7	2 917	-
Other long-term receivables	5	70	-
Total non-current assets		**259 413**	**248 115**
Current assets			
Inventories		166	-
Trade receivables and other current assets		179	154
Cash and cash equivalents	4	15 004	4 659
Short term loan to related parties	5	7 510	-
Short term receivables to related parties	5	1 129	-
Total current assets		**23 989**	**4 813**
Total assets		**283 402**	**252 928**

Equity and liabilities (USD '000)	Notes	31 Dec 2020	31 Dec 2019
Equity			
Share capital	Group 18	5 724	5 725
Share premium		219 478	219 478
Other reserves		(2 699)	(91)
Retained earnings		(21 080)	(8 184)
Equity attributable to equity holders of the parent		**201 423**	**216 929**
Non-current liabilities			
Bond loan	7	80 649	33 836
Financial liabilities	7	-	1 438
Total non-current liabilities		**80 649**	**35 273**
Current liabilities			
Current debt to related parties	5	180	318
Trade and other payables		1 150	408
Total current liabilities		**1 330**	**726**
Total equity and liabilities		**283 402**	**252 928**

Oslo, 31 December 2020

Oslo, 22 March 2021

Lasse Kristoffersen
Chair of the Board

Engebret Dahm
CEO

Lori Wheeler Næss
Board member

Magne Øvreås
Board member

Rebekka Glasser Herlofsen
Board member

Morten Skedsmo
Board member

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent					
2020 (USD ‘000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Retained earnings	Total
Equity at 1 January 2020	**5 725**	**219 478**		**(91)**	**(8 184)**	**216 929**
Profit (loss) for the period					(8 133)	(8 133)
Other comprehensive income for the period				(2 462)		(2 462)
Purchase of own shares (Group note 18)			(147)			(147)
Dividends					(4 803)	(4 803)
Share option program (Group note 16)					39	39
Equity at 31 December 2020	**5 724**	**219 478**	**(147)**	**(2 552)**	**(21 080)**	**201 423**

2019 (USD ‘000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Retained earnings	Total
Equity at 1 January 2019	**4 864**	**181 530**		**-**	**(2 358)**	**184 036**
Profit (loss) for the period					(2 010)	(2 010)
Other comprehensive income for the period				(91)		(91)
Dividends					(3 820)	(3 820)
Capital increase (May 15, 2019)	845	37 144				37 989
Capital increase (June 25, 2019)	17	805				822
Share option program (Group note 16)					3	3
Equity at 31 December 2019	**5 725**	**219 478**	**-**	**(91)**	**(8 184)**	**216 929**

CASH FLOW STATEMENT

Year ended 31 December

(USD '000)	Notes	2020	2019
Profit before tax		(9 943)	(2 010)
Interest income		(88)	(145)
Interest expenses		4 078	2 391
Amortization of transaction cost on issuance on loans		373	140
Financial derivatives loss / gain (-)		1 632	1 347
Gain (-) /loss on foreign exchange		791	(1 027)
Change in current assets		(25)	(39)
Change in current liabilities		167	(92)
Change in other working capital		(8 806)	(324)
Interest received		88	145
A: Net cash flow from operating activities		**(11 732)**	**387**
Investment in subsidiaries		-	(30 000)
Long term loan to related parties	5	(19 570)	-
Repayment of loan to related parties	5	13 000	
B: Net cash flow from investment activities		**(6 570)**	**(30 000)**
Proceeds from bond loan	7	76 390	-
Transaction costs on issuance of loans		(1 715)	(328)
Repayment of bond loan **	7	(33 861)	-
Settlement shareholder loan	Group 18	-	(630)
Transaction costs on capital increase		-	(2 147)
Interest paid		(4 117)	(2 156)
Terminated financial instruments		(3 101)	
Capital increase	Group 18	-	40 958
Purchase of own shares	Group 18	(147)	
Dividends	Group 18	(4 802)	(3 814)
C: Net cash flow from financing activities		**28 646**	**31 883**
Net change in liquidity in the period (A + B + C)		10 344	2 270
Net foreign exchange difference		-	-
		10 344	**2 270**
Cash and cash equivalents at beginning of period		4 659	2 389
Cash and cash equivalents at end of period	4	15 004	4 659
Net change in cash and cash equivalents in the period		10 345	2 270

*** Buyback of loan includes a premium payment of USD 0.8 million.*

Notes

01 Accounting policies

02 Operating expenses

03 Investment in subsidiaries

04 Cash and cash equivalents

05 Transactions with related parties

06 Tax

07 Financial assets and financial liabilities

08 Financial items

09 Events after the balance sheet date

01 Accounting policies

Basis of preparation

Klaveness Combination Carriers ASA (”Parent Company”) is a public limited company domiciled and incorporated in Norway. The parent company is headquartered and registered in Drammensveien 260, 0283 Oslo. Klaveness Combination Carriers ASA was established 23 March 2018. The share is listed on Euronext Expand (formerly Oslo Axess) with ticker KCC.

The financial statements as per 31 December 2020 of Klaveness Combination Carriers ASA (referred to as the Company/the Parent Company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Accounting principles for the consolidated statement of Klaveness Combination Carriers ASA also apply to the Parent Company – see accounting policies presented as part of the consolidated Group accounts.

The main activity of the Company is to be a holding company in the Group, which owns and operates combination carriers.

Dividend income

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

Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the financial statements when dividend is approved by the General Meeting.

Shares in subsidiaries

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

Use of estimates

The preparation of financial statements in conformity with IFRS requires Management to exercise its judgment in the process of applying the Company’s accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on Management’s best knowledge of current events and actions, actual results may ultimately differ from those estimates.
Shares in subsidiaries and intercompany receivables are subject to impairment testing at the end of each reporting period. Valuation is subject to assessment of the recoverability in the underlying investment or receivable. Management’s assessment can affect the level of impairment loss, or reversal of such, that is recognized in profit or loss.

02 Operating expenses

(USD '000)	2020	2019
Statutory audit	71	81
Other assurance services from auditor	15	33
Total	**86**	**114**

Auditor's fee are stated excluding VAT.

03 Investment in subsidiaries

(USD '000)	Business office, country	Voting share/ ownership	31 Dec 2020	31 Dec 2019
KCC Chartering AS	Oslo, Norway	100%	7 456	7 456
KCC Shipowning AS	Oslo, Norway	97%	240 093	240 093
KCC KBA AS	Oslo, Norway	100%	566	566
Investment in subsidiaries			**248 115**	**248 115**

Investments in subsidiaries are recorded at costs. Impairments are recognised if the fair value of equity is lower than book value of the shares.

04 Cash and cash equivalents

The Company has bank deposits in the following currencies:

(USD '000)	2020	2019
Bank deposits, USD	14 804	4 522
Bank deposits, NOK	130	137
Payroll withholding tax account (restricted cash, NOK)	70	-
Total cash and cash equivalents	**15 004**	**4 659**

05 Transactions with related parties

Service agreements
The Parent Company has six employees as per year end 2020. Five of the employees were transferred from Klaveness AS to Klaveness Combination Carriers ASA in February/April 2020. The Parent Company delivers administrative and business management services and commercial management services to subsidiaries. The level of fees are based on cost + a margin in accordance with the arm's length principle and OECDs guidelines.

(USD '000) Counterparty	Type of agreement	2020	2019
KCC Shipowning AS	Administrative services	286	-
KCC KBA AS	Administrative services	32	-
KCC Chartering AS	Administrative services	81	-
KCC Chartering AS	Commercial management services	364	-
Total management fee revenue		**763**	**-**

Klaveness AS delivers administrative and business management services (G&A) to the Parent Company such as accounting, legal, IT services and rent and office services. The level of fees are based on cost + a margin in accordance with the arm's length principle and OECDs guidelines.

(USD '000) Supplier	Type of agreement	2020	2019
Klaveness AS	Administrative services	(1 232)	(1 370)
Klaveness Ship Holding AS	Interest cost loan agreement	-	(212)
KCC Shipowning AS	Interest cost loan agreement	(14)	-
KCC KBA AS	Interest cost loan agreement	(3)	-

Intercompany balances

(USD '000) Current intercompany assets	31 Dec 2020	31 Dec 2019
Short term receivables to related parties (KCC Shipowning AS)	578	-
Short term receivables to related parties (KCC Chartering AS)	458	-
Short term receivables to related parties(KCC KBA AS)	94	-
Short term loan to related parties (KCC Chartering AS)	7 510	-
Current assets related parties	**8 639**	**-**

(USD '000) Non-current intercompany assets	31 Dec 2020	31 Dec 2019
Long-term receivables to related parties (KCC KBA AS)	6 500	-
Other long-term receivables (loan to employees)	70	-
Non-current assets related parties	**6 570**	**-**

KCC, as lender, has provided loans to subsidiaries KCC KBA AS (USD 6.5 million) and KCC Chartering AS (USD 7.5 million). The loan to KCC KBA AS was made in connection with KCC KBA AS' purchase of MV Barracuda in 2020 from KCC Shipowning AS (internal transaction within the KCC Group) with maturity in December 2023. The loan was repaid in February 2021 when the vessel was sold back to KCC Shipowning AS. The loan to KCC Chartering AS matures in December 2021 and is made for general corporate purposes. Internal loans are priced in accordance with KCC's transfer pricing principals.

Loan to employees (and affiliates to employees) has been made in connection with employees purchase of shares in the company. Interest rate in the loans are set in accordance with "Normal interest rate for the taxation of low-cost loans from an employer".

(USD '000) Current intercompany liability	31 Dec 2020	31 Dec 2019
Current debt to related parties (Klaveness AS)	62	59
Current debt to related parties (Klaveness Ship Management AS)	118	-
Current debt to related parties (KCC KBA AS)	-	259
Current debt to related parties	**180**	**318**

06 Tax

The Parent Company is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2020 (22 % in 2019). The Parent Company is a holding company with negative taxable income as per year end 2020. Deferred tax assets are recognised to the extent that future utilization can be justified which is probable as per 31 December 2020. As per 31 December 2020 the recognised deferred tax in balance sheet is USD 1.8 million. Tax expenses for 2020 is negative USD 1.8 million.

Income taxes for the year (USD '000)	2020	2019
Tax payable	-	-
Change in deferred tax / deferred tax asset	(1 810)	-
Total tax expense / income (-) reported in the income statement	**(1 810)**	**-**
Tax on net (gain)/loss on cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

Tax payable (USD '000)	Income	2020 Tax effect	Income	2019 Tax effect
Profit / loss (-) before taxes, incl OCI	(9 943)	(2 187)	(2 010)	(442)
Non-deductible expenses	7	2	359	79
Accounting profit on distributions of capital from subsidiaries	-	-	(2 907)	(640)
transaction cost capital increase charged over equity	-	-	(1 769)	(389)
Dividends from investments covered by the tax exemption model	-	-	(42)	(9)
Unrealized gain/loss on financial instruments valued at fair value	(2 917)	(642)	-	-
Change in tax losses carried forward	15 227	3 350	5 489	1 208
Exchange rate differences	(2 374)	(522)	881	194
Tax payable in the balance sheet	**-**	**-**	**-**	**-**
Effective tax rate		18%		-

Temporary differences - ordinary taxation (USD '000)	Temporary difference	2020 Tax effect	Temporary difference	2019 Tax effect
Temporary differences	-	-	(1 438)	(316)
Intercepted interest carry forward	(1 375)	(303)	(1 331)	(293)
Tax losses carried forward	(24 402)	(5 368)	(8 883)	(1 954)
Unrealised gain/loss financial instruments	2 917	642		
Deferred tax asset not recognised in the balance sheet	14 632	3 219	11 652	2 563
Net temporary differences - deferred tax liability/asset (-)	**(8 228)**	**(1 810)**	**-**	**-**
Deferred tax asset/liability in balance sheet	**(8 228)**	**(1 810)**	**-**	

The Parent Company has recognised a deferred tax asset of USD 1.8 million on the balance sheet as of 31 December 2020. This corresponds to the tax payable of another subsidiary in the Group, which will be offset through a group contribution with tax effect for 2020.

07 Financial assets and financial liabilities

The Parent Company holds a bond loan of NOK 700 million (KCC04) which is listed on Oslo Stock Exchange. The bond loan has a bullet structure with no repayment until maturity in February 2025. The bond carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments.

The total bond loan was swapped to USD with fixed rate (cross currency interest rate swaps /CCIRS). The CCIRS qualifies for hedge accounting and are recognised at fair value with changes through other comprehensive income.

The Parent Company repaid NOK 158 million under the KCC03 bond loan during Q1, and the remaining outstanding amount of NOK 142 million at 101% of par in December 2020.

Bond loan (KCC03)	Face value NOK' 000	Year of maturity	Carrying amount USD' 000
Original loan amount	300 000	27.05.2021	35 370
Buyback KCC03 (Q1 2020)			(16 999)
Buyback KCC03 (Q4 2020)			(16 051)
Exchange rate adjustment			(2 320)
Sum KCCO3	**300 000**		**-**
KCC04	700 000	11/02/2025	76 390
Exchange rate adjustment			5 602
Capitalized expenses			(1 032)
Bond discount			(310)
Sum KCC04			80 649
Total bond loan	**300 000**		**80 649**

Maturity profile to financial liabilities at 31 December 2020
The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including interest payments and interest hedge.

Maturity profile (USD '000)	< 1 year	1-3 years	3-5 years	> 5 years	Total
Bond loan (incl interests)	(4 757)	(9 515)	(80 678)	-	**(94 950)**

Covenants
As per 31 December 2020, the Company is in compliance with all financial covenants. Covenants relate to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million) on a consolidated basis.

Financial assets (USD '000)	31 Dec 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	2 917	-
Financial assets	**2 917**	**-**
Current	-	-
Non-current	2 917	

Financial liabilities (USD '000)	31 Dec 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	-	1 438
Financial liabilities	**-**	**1 438**
Current	-	-
Non-current	-	1 438

07 Financial assets and financial liabilities

KCC guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the lending banks for the mortgage vessels loans including unpaid interest, costs and hedging agreements. As of 31.12.2020 sum of loans, accrued interest and mark-to-mark on hedging contracts amounts to USD 236 839.

(USD '000)	31 Dec 2019
Loans	230 524
Net mtm hedging agreements	5 053
Accrued unpaid interest	1 262
Total	**236 839**

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

	Liabilities		Equity		Total
31 Dec 2020 Assets (USD'000)	Interest payable	Interest bearing long-term debt	Share capital/ premium/ reserve	Other equity	Total
Balance at 1 January 2020	**-**	**33 835**	**225 203**	**(8 275)**	**248 608**
Repayment of bond loan		(33 861)			(33 861)
Proceeds from bond loan '		76 390			76 390
Transaction costs on issuance of loans		(1 715)			(1 715)
Interest paid	(4 117)				(4 117)
Purchase of own shares			(147)		(147)
Terminated financial instruments				(3 101)	(3 101)
Dividends				(4 802)	(4 802)
Total Changes from financing cash flow	**(4 117)**	**40 814**	**(147)**	**(7 903)**	**28 646**
Liability- related					
Expensed capitalised borrowing costs		399			399
Non-cash movement		5 602			5 602
Total liability- related changes		**6 001**	**-**	**-**	**6 001**
Total equity-related other changes			**-**	**(7 454)**	**(7 454)**
Balance at 31 December 2020		**80 649**	**225 056**	**(23 632)**	**275 801**

	Liabilities		Equity		Total
31 Dec 2020 Assets (USD'000)	Interest payable	Interest bearing long-term debt	Share capital/ premium/ reserve	Other equity	Total
Balance at 1 January 2019	**-**	**36 000**	**186 394**	**(2 358)**	**220 036**
Repayment of mortgage debt	-	(328)			(328)
Proceeds from mortgage debt		(630)			(630)
Transaction costs on issuance of loans		(2 147)			(2 147)
Interest paid	(2 156)				(2 156)
Capital increase (net of transaction costs)			40 958		40 958
Dividends				(3 814)	(3 814)
Total Changes from financing cash flow	**(2 156)**	**(3 105)**	**40 958**	**(3 814)**	**31 883**
Liability- related					
Expensed capitalised borrowing costs		187			187
Non-cash movement		753			753
Total liability- related changes	**-**	**940**	**-**	**-**	**940**
Total equity-related other changes			**(2 149)**	**(2 103)**	**(4 251)**
Balance at 31 December 2019		**33 835**	**225 203**	**(8 275)**	**248 608**

08 Financial items

Finance income (USD '000)	2020	2019
Other interest income	702	145
Gain on foreign exchange	-	1 027
Group contribution	-	3 000
Other financial income from related parties	219	43
Total finance income	**921**	**4 215**

Finance cost (USD '000)	2020	2019
Interest paid to related parties	16	211
Other interest expenses	581	
Interest expenses bond loan	4 062	2 124
Amortization capitalized fees on loans	373	140
Other financial expenses	844	66
Fair value changes and interest rate swaps	2 546	1 347
Total finance cost	**8 421**	**3 889**

09 Events after the balance sheet date

On 18 February 2021, the Parent Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 1.44 million for Q4 2020 (USD 0.03 per share).

Loan to KCC KBA AS of USD 6.5 million was repaid in February 2021 when KCC KBA AS sold MV Barracuda back to KCC Shipowning AS.

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

Responsibility statement

We confirm that, to the best of our knowledge, the consolidated financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and give a true and fair view of the Company's assets, liabilities, financial position and profit. We also confirm, to the best of our knowledge, that the management report includes a fair review of important events that have occurred during the financial year and their impact on the consolidated financial statements of Klaveness Combination Carriers ASA, and a description of the principal risks and uncertainties for 2021.

Oslo, 31 December 2020

Oslo, 22 March 2021

Lasse Kristoffersen Chair of the Board	**Engebret Dahm** CEO	**Lori Wheeler Næss** Board member
Magne Øvreås Board member	**Rebekka Glasser Herlofsen** Board member	**Morten Skedsmo** Board member

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Combination Carriers ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Combination Carriers ASA, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2020, income statement, statements of comprehensive income, statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2020 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting estimates related to CLEANBU vessels

The Group has five CLEANBU vessels in operation as of year-end 2020, in addition to one CLEANBU vessel that was delivered in 2021 and two under construction with expected delivery in 2021.

The accounting estimates for these assets have a material impact for the Group due to their cumulative value and long-lived nature. The key estimates requiring judgment include determination of useful lives and residual values, identification of cash generating units (CGU), evaluation of indicators of impairment, and if present, testing carrying values for impairment based on estimated recoverable amounts. As these estimates have material impact for the Group, this was considered a key audit matter.

Management estimated useful lives based on experience with the CABU vessels, as well as industry practice for conventional dry bulk and tanker vessels respectively. The residual value has been based on an average of observable recycling prices, considering the expected impact of the EU Ship Recycling Regulation for safer and greener recycling. We compared the estimates of useful lives and residual values to industry practice, available data for green recycling, experience from prior years and plans for docking and maintenance. We further recalculated depreciations for the year.

Management considers the fleet of CLEANBU as one cash generating unit ("CGU") in their assessment of impairment indicators. Management did not identify indicators of impairment for the CGU, and therefore no impairment test was performed. The assessment included an evaluation of external and internal factors, including market rates, changes in technological, economic or legal environment, changes to discount rates, market capitalization, physical damage and actual utilization of the vessels.

Based on our understanding of the nature of the Group's business and the economic environment in which its vessels operate, we assessed the determination of the different CGUs that make up the Group. We reviewed the potential indicators of impairment that would require impairment testing of CGUs and evaluated management's assessment of indicators. Finally, we read the disclosures regarding these judgments, which are included in notes 1 and 9 of the Group's consolidated financial statements.

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance

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

Opinion on registration and documentation

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

Oslo, 22 March 2021
ERNST & YOUNG AS

The audit opinion has been signed electronically

Johan Lid Nordby
State Authorised Public Accountant

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: 84.211.xxx.xxx
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FUTURE BOUND

Klaveness Combination Carriers