Annual Report 2023

Klaveness Combination Carriers

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Value creation through flexibility, efficiency and diversification

Klaveness Combination Carriers ASA (KCC, Company) stands as the global leader in combination carriers. KCC strives to solve inefficiencies by maximizing the utilization of its fleet and by minimizing ballast between the laden voyages through consecutively switching between dry and wet cargo shipments.

8x CABU + 3 newbuilds[1]

MR product tanker and Panamax dry bulk vessel

8x CLEANBU

LR1 product tanker and Kamsarmax dry bulk vessel

The CABU (Caustic Soda-Bulk) and CLEANBU (Clean Petroleum Product-Bulk) vessels mainly transport Clean Petroleum Products (CPP) or Caustic Soda Solution (CSS) from refineries and production plants located in Middle East/India, Far East or US Gulf to end users or distributors in Australia and South America, the world's main export hubs of dry bulk commodities. On the return voyage the combination carriers transport dry bulk commodities including alumina, bauxite, grains, salt, iron ore and coal.

Lower carbon emissions

Fuel consumption and hence emissions are 30-40%[2] lower than standard tanker and dry-bulk vessels per ton-mile transported cargo.

Lower earnings volatility

Diversified market exposure as the vessels transport both dry bulk and tanker products and a positive correlation to bunker prices.

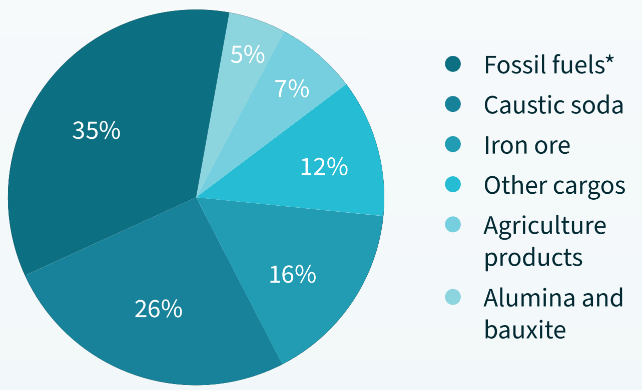
Premium earnings

Higher asset utilization compared to standard vessels due to two laden legs, giving a higher number of revenue days.

The combination carrier concept

For the same round voyage, a standard tanker and dry bulk vessel would typically ballast for 10-20 days, while a combination carrier is around 4 days.

Split of cargo transported in 2023[3]



*Fossil fuels include gasoil, coal, gasoline and jet fuel and other CPP. Naphta and condensate to the petrochemical industry included in other cargo.

The aluminum/alumina industry through the transportation of CSS, bauxite and alumina accounted for 31% of KCC's transported volumes in metric tons (mt) in 2023. KCC had 16 coal shipments in 2023 (15%), and total fossil fuel shipments including clean petroleum products and coal accounted in total for 35%*. Iron ore shipments for mining companies or steel plants accounted for 16% in 2023.

[1] Newbuilds to be delivered in 2026.
[2] Lower carbon emission per ton transported in combination trades compared to standard vessels.

[3] Cargo transported measured in metric tons.

Highlights FY 2023

Record financial results

TCE earnings[1]

34 983 USD/day

(29 764 / +17.5%)

EBITDA

USD 135m

(107 / +26%)

Strengthening business resilience

Fleet renewal

3 x newbuilds

Zero-emittion fuel ready CABU III

CLEANBU customer acceptance

+35%

Increase in concept approvals

CABU caustic soda cargo booking

+10%

Further growth in 2024

Pioneering low carbon shipping

First large energy efficiency retrofit

-15%

Reduction in CO_2 emission for MV Ballard

Reduction in carbon intencity

-6%

Lower EEOI relative to 2022

New sustainability-linked financing framework

USD 232m

In new bond and bank loans

[1] TCE earnings $/day are alternative performance measures (APMs) which are defined and reconciled in the excel sheet "APM4Q2023" published on the Company's homepage (www.combinationcarriers.com) Investor Relations/Reports and Presentations under the section for the Q4 2023 report.

ESG Summary 2023

Environment

Material Topics

- Climate Change
- Pollution of Water
- Biodiversity and Ecosystems
- Ship Recycling

Strategic Targets

- 2023: 11% reduction in EEOI[1] compared to 2018
- By 2026: 30 % reduction in EEOI[1] compared to 2018
- By 2030: 45 % reduction in EEOI[1] compared to 2018
- By 2050: Net zero
- No spills to the environment

Performance 2023

- EEOI[1] = 6.5 (-6 % Y-o-Y)
- Average CO_2 emissions per vessel year[2] = 18 700 (+4% Y-o-Y)
- Improved trading efficiency[3] to 85 % (+2%-points Y-o-Y)
- Ballast %[3] = 14 % (+2%-points Y-o-Y)
- Invested USD 13.5 million in 2021-2023 and committed USD 19 million for 2024 and 2025 in energy efficiency technologies/solutions for the fleet
- Successful first large energy efficiency retrofit
- Contracting of three "zero-emission fuel ready" CABU vessels
- Zero spills to the environment

Social

Material Topics

- Health and Safety
- Diversity and Equity
- Human Rights
- Labor Rights
- Human Capital

Strategic Targets

- No injuries
- Lost Time Injury Frequency (LTIF) < 0.5
- Zero vessel detentions
- Average number of high risk observations per inspection for SIRE[5] < 2
- Average number of deficiencies per port state control < 0.5
- Retention rate crew > 90 %
- Ensuring respect for human rights

Performance 2023

- No major and medium injuries[4]
- LTIF = 0.0
- Port state detentions = 2
- Average number of high risk observations per inspection for SIRE[5] = 0
- Average number of deficiencies per port state control = 1.3
- Retention rate crew = 95 %
- Performed due dilligence of three shipyards for human rights and working conditions

Governance

Material Topics

- Anti-corruption
- Compliance and Ethics
- Whistleblowing
- Cyber Security

Strategic Targets

- Zero corruption cases
- Number of reported requests and avoided facilitation payments > 8
- Anti-corruption training for crew > 75 %
- All counterparties subject for business ethics checks through established Know Your Counterparty (KYC) Procedures

Performance 2023

- No corruption cases
- Number of reported requests and avoided facilitation payments = 5
- Anti-corruption training for crew = 97 %

[1] EEOI (Energy Efficiency Operational Index) is a carbon intensity metric, for definition see ESG Performance report 2023 page 17.
[2] Average CO_2 emissions per vessel year, for definition see ESG Performance report 2023 page 17.
[3] % in combination trade and % in ballast, for definition see ESG Performance report 2023 page 17.
[4] Major injuries = Fatality or permanent disability preventing return to work, medium injuries = Medical treatment and repatriation, will return to work.
[5] Ship Inspection Report Programme (SIRE).

Record year in every arena

Letter from the CEO

2023 was a record year for KCC, a year with record profitability and with solid progress both in KCC's business development and decarbonization initiatives.

KCC's financial performance in 2023 was supported by a continued historically strong product tanker market. The dry bulk market, however, was considerably weaker than in 2022, although it improved towards the end of the year. The strength of the product tanker market was partly due to the full recovery of world oil consumption after the end of COVID lockdowns, and as well as much positively impacted by several market distortions following tragic wars and hostilities as well as climate effects, substantially increasing ton mile demand.

2023 was a strong year for KCC's CABU business in terms of profitability, operational efficiency, and caustic soda shipment volume to Australia. It was also a year where the business resilience of the CABU service to and from Australia was strengthened. The CABUs continued to increase its market share in the Australian caustic soda import market and another milestone was passed with the delivery of the first parcel of caustic soda to the new and growing Australian lithium refinery industry. The contracting of three third generation CABU vessels in June 2023 for delivery during 2026, was another important milestone. These vessels, replacing the three oldest CABU vessels, will further improve the quality of our service through their superior efficiency, substantially lower carbon footprint and offer a pathway to future use of new zero-/low-carbon fuels.

The CLEANBU business also demonstrated solid progress in 2023 with a 35% increase in customer approvals as well as continued strong technical, operational, and vetting performance. The strength and the flexibility of the CLEANBUs were put on test when the product tanker trade flows into Brazil and Argentina dramatically changed following the ban on imports of petroleum products to the EU in early 2023. When diesel imports from India and Middle East were largely replaced by cheaper imports from Russia during first half 2023, the CLEANBUs were successfully diverted to other efficient combination trades into US East Coast and Australia. The high trading flexibility of the CLEANBUs enabled also KCC to take advantage of the large earnings difference between the product tanker and dry bulk market in 2023. To optimize earnings, the CLEANBU fleet's share of trading in the tanker market was increased from 54% in 2022 to 76% in 2023 having temporary negative effect on trading efficiency with ballast % increasing from 13% in 2022 to 17% in 2023.

The year also saw clear progress on KCC's decarbonization ambitions, with significant headway made on KCC's energy efficiency program and a marked improvement of carbon intensity (EEOI) with a 6% reduction from 2022 and 14.5% compared to the base year 2018. KCC is on track to meet the ambition of a 30% reduction in EEOI from 2018 to 2026 and a 46% reduction within 2030 compared to 2018. The successful completion of the first large energy efficiency retrofit on the 2017 built CABU vessel MV Ballard giving 15% emission reductions and the introduction of a sustainability-linked freight contract with one of our main customers were important milestones during the year and in KCC's decarbonization journey.

KCC has had a solid start to 2024 on the back of an exceptionally strong product tanker market and improved dry bulk market. The outlook for the year is strong, but unprecedented geopolitical instability creates uncertainties and high risks in our markets. With a strong balance sheet, continued high contract coverage and the diversification and flexibility of KCC's business model, KCC is well prepared for an exciting and likely volatile 2024.

Engebret Dahm | CEO, Klaveness Combination Carriers ASA

Board of Director's Report

Key development 2023

2023 was an exceptional year for Klaveness Combination Carriers ASA ("KCC", the "Company", the "Group"). The Group delivered both a record strong financial result and a record low carbon intensity factor for the fleet for the year. Both demonstrated yet again the value of efficiency, flexibility, and diversification of the combination carrier concept. To protect and strengthen KCC's leading position in caustic soda solution (CSS) shipments to Australia and to deliver on KCC's carbon emission reduction targets, KCC concluded in June 2023 a shipbuilding contract for three third generation CABU vessels with delivery in 2026.

The CABU fleet delivered the highest time charter earnings since 2011 due to high freight rates on the fixed-rate CSS contracts, record high CSS contract bookings and high trading efficiency with 92% of on-hire days trading in combination trades throughout the year.

The CLEANBU fleet continued to expand the number of customers and trades in 2023 and demonstrated during the year its flexibility to employ the vessels in the most favourable trade regions depending on the market situation. Time-charter earnings for the CLEANBU fleet were also record high in 2023 and the fleet benefited from a healthy product tanker market in which 76% of capacity was employed during the year.

The KCC fleet experienced no major or medium injuries, or accidents in 2023.

KCC continued to make good headway on its decarbonization targets during 2023. The carbon intensity (EEOI[1]) for the fleet was down from 6.9 in 2022 to 6.5 in 2023, well better than the target for the year.

2024 Priorities

KCC will in 2024 utilize the expected strong markets to further strengthen the competitive position and resilience of both its CABU and CLEANBU business. For the CABUs, focus is on increasing KCC's market share with existing caustic soda solution import customers and to start regular business with the new Australian lithium refineries which are expected to considerably increase their caustic soda solution imports in 2024 and beyond. For the CLEANBUs, KCC will focus on further expanding the customer base and the terminal acceptance of the vessels and to diversify trading in the most efficient combination trades to to the Americas and Australia.

KCC will maintain its persistent focus on carbon emission reductions throughout its business from day-to-day operations to strategic decisions. Furthermore, KCC will continue making large investments in energy efficiency solutions in its fleet and implement initiatives to further improve trading- and voyage efficiency.

While KCC maintained strong safety performance and improved further overall SIRE[2] vetting performance in 2023, two Port State Control detentions in 2023 identified a need for improvements in the technical operation of the fleet with focus on the oldest vessels. KCC and Klaveness Ship Management[3] (KSM) are committed to deliver on presented corrective and preventive action plans to improve port state inspection performance and Rightship DOC[4] holder rating and to further improve the SIRE vetting performance of the fleet. An important part of these ongoing efforts is the implementation of a new version of the Klaveness Always Safe and Secure (KLASS) safety culture program in 2024 which shall prevent accidents, secure the health and safety of the crew and support continued strong safety performance on KCC's fleet.

Ernst Meyer
Chair of the Board

Magne Øvreås
Board member

Brita Eilertsen
Board member

Winifred Patricia Johansen
Board member

Gøran Andreassen
Board member

People, health and safety

KCC's main priority is to keep the crew safe, and any injury or loss of lives are unacceptable. 2023 was a strong safety year for the KCC fleet, with zero major or medium injures or vessel accidents. The Lost Time Incident Frequency (LTIF), measured by every 1 million working hours, was reduced from 0.3 in 2022 to 0.0 in 2023.

By the end of 2023, KCC had 10 employees located in Oslo and Singapore. The work environment is good. Women represented 50% of the workforce (2022: 27%) and absence due to sick leave was satisfactory, averaging 0.95 % in 2023 (0.25% in 2022)[5].

KCC is dedicated to ensuring equal opportunities for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability, or social status. KCC as well supports and respects the protection of human and labor rights. Read more in the Code of Conduct available on www.combinationcarriers.com. The Group did not detect severe human rights violations or substandard working conditions in our own operations in 2023. Shipyards have been a focus area for due diligence procedures related to human and labor rights in 2023. Prior to ordering the three newbuilds in 2023, KCC conducted due diligence to identify and assess actual or potential adverse impact on fundamental human right and decent working conditions that KCC would either be causing or

[1] EEOI (Energy Efficiency Operational Index) is defined by IMO and represents grams CO2 emitted per transported cargo per nautical mile.
[2] Ship Inspection Report Programme. Standards set by Oil Companies International Marine Forum (OCIMF).
[3] The vessels are on ship management to Klaveness Ship Management AS.
[4] Rightship is a vessel vetting provider. DOC = Document of Compliance. KSM is the DOC holder.
[5] More employee information in note 7 to the Financial Statements for 2023.

contributing towards through the shipbuilding contract. The due diligence study did not reveal any findings preventing the ordering of the three new vessels. A separate Transparency Act report can be found on KCC's website.

In 2023, 52 vetting inspections were performed onboard KCC vessels. Average number of high-risk observations[6] per inspection for the SIRE vettings was 0.6, down from 0.7 in 2022 and better than the target of 1.0. The fleet went through 31 Port State Controls in 2023 with two detentions, both involving 2001 built CABU vessels. Average number of deficiencies per Port State Control inspection was 1.3, up from 0.7 in 2022 and above the target of 0.5. External and internal audits and investigations were carried out and a broad set of corrective and preventive actions have been implemented to address identified weaknesses and to improve performance.

Due to the tensions and attacks against commercial vessels in the Red Sea area, KCC decided in early January 2024 to not trade any vessel through the Red Sea until the war-like situation in the area improves. The CABUs do not trade in the area, while the CLEANBUs from time-to-time transit through the Red Sea, however, no KCC vessels have transited the area after the first attack. The decision is expected to have limited impact on KCC's business activities and financial performance.

KCC has no exposure to Russia or Belarus and has decided to not conduct any business with companies owned or controlled by Russian or Belarusian interests. Further, KCC has exempted all Russian ports, in addition to the war zone in the Black Sea. Furthermore, KCC shall not transport cargoes originating from Russia.

The piracy risk in the Persian Gulf/Gulf of Oman/ Gulf of Aden eased in 2023. The threat for merchant vessels was considered low to moderate by Den Norske Krigsforsikring for Skib (DNK). The "High Risk Area" in the Western part of the Indian Ocean was removed as of 1 January 2023 by the International Maritime Organization (IMO). No approaches or boarding attempts were reported from KCC vessels in 2023.

Decarbonisation

KCC aims at delivering the most cost effective decarbonization path to its customers in deep-sea dry bulk and tanker shipping. KCC updated its Environmental Strategy in 2023, increasing its emission reduction ambitions further. The ambition is to reduce the carbon intensity measured by Energy Efficiency Operational Indicator (EEOI[7]) from 7.6 in 2018 to 5.3 by year-end 2026 and further to 4.1 by year-end of 2030, which implies an approximate 45% reduction by year-end 2030 compared to 2018. The levers are implementing energy efficiency solutions, perfecting voyage efficiency and optimizing trading efficiency through close cooperation with customers, suppliers, regulators, and other stakeholders. Some concrete examples from 2023 are:

- KCC's first sustainability-linked freight contract went into force in 2023, after a trial period through 2022. Freight paid under the contract is linked to KCC's emission performance compared to a baseline.
- Several internal guidelines supporting emission reductions were implemented in chartering and commercial operations, two examples being minimizing the time with speed above 12.5 knots and including a shadow carbon price in chartering decisions involving long ballasting.
- A Sustainability-Linked Financing framework was implemented, and two debt facilities were established based on the framework during 2023.
- KCC continued to invest in energy efficiency measures and as an example piloted the retrofit of an air lubrication and a shaft generator on the first vessel. Together with other measures installed, the results so far indicate a 15% reduction in fuel consumption and carbon emissions. KCC received grants from Enova for part of the investment. KCC contracted similar measures for additional five vessels with options to roll out these measures on the remaining five modern vessels.

In 2023, KCC made significant progress in its sustainability efforts. The carbon intensity (EEOI) for the fleet was down from 6.9 in 2022 to 6.5 in 2023, an improvement of close to 6% Y-o-Y and well below KCC's trajectory introduced in the updated Environmental Strategy from 2023. The Y-o-Y change was driven by more transport work mainly due to higher cargo weight and more time spent sailing at sea as well as lower average speed and continued improved technical performance of the fleet, partly offset by a higher proportion of time sailing in ballast.

IMO's short-term measures were implemented from January 2023, setting requirements related to the vessels' EEXI and carbon intensity indicator (CII). All KCC's vessels have in 2023 EEXI scores and CII-ratings better than the current requirements. The IMO CII metric (AER) fails to include actual cargo work, and instead uses registered deadweight as a proxy. As a laden vessel requires more energy than a ballasting vessel, more efficient and well utilized vessels, such as KCC's combination carriers, will be penalized. How this disincentivize efficient trading is illustrated by actual CII results for the KCC fleet for 2023. The three vessels that ballasted more than the average KCC fleet, with a combined ballast of 21% versus fleet average of 14%, achieved the best CII rating.

The International Maritime Organization (IMO) updated in July 2023 its Strategy on Reduction of GHG Emissions from Ships. The strategy envisages a reduction in carbon intensity of international shipping by at least 40% by 2030 compared to 2008 and introduced an ambition to reach net-zero GHG emissions from international shipping by or around 2050. While IMO's new strategy is a step in the right direction, to be effective, the industry needs stricter and more predictable regulations.

Shipping was included in the EU Emission Trading System (EU ETS) from 1 January 2024. This is a regulation that has real effect and will when the price of carbon increases and the regulation is fully implemented in 2027, incentivise ship owners to invest in and operate vessels to reduce fuel consumption. The regulation will have limited effect on KCC in 2024 as the KCC fleet per now has limited trading in and out of Europe.

Financial results

Average TCE earnings[8] of $34,983/day for the fleet in 2023 were up 18% from $29,764/day in 2022. Net revenues from operation of vessels increased by 20% from USD 164.6 million in 2022 to USD 196.8 million in 2023, driven by stronger tanker earnings, higher capacity in tanker trades and more on-hire days due to less dry docking and fewer unscheduled off-hire days, partly offset by a weaker dry-bulk market.

Operating expenses increased from USD 48.6 million in 2022 to USD 50.2 million in 2023 (+3%) mainly due to general inflation (particularly forwarding costs), higher condition-based maintenance for the CLEANBU fleet and higher project OPEX.

Administrative costs for 2023 of USD 11.4 million was up by 28% compared to 2022 (USD 8.9 million) mainly due to increased service fees and salaries due to higher activity level and hence more man-hours in addition to increased travelling and project costs mainly related to the newbuild project for 2023.

EBITDA for 2023 increased by 26% from USD 107.0 million in 2022 to USD 135.0 million in 2023.

Depreciation for 2023 of USD 31.8 million was in line with last year (USD 31.3 million). Net finance cost was USD 16.2 million, up by USD 1.5 million mainly due to gain related to modification of debt of USD 1.2 million in 2022 and higher net interest costs in 2023.

Profit for the year 2023 was USD 86.9 million, up from USD 60.9 million in 2022, a 43% increase.

Financial position

Total equity ended at USD 361.7 million at year-end 2023, an increase of USD 64.2 million during the year. The main reasons for the change were strong financial results and equity raised in the private placement in May 2023, partly offset by dividends paid to shareholders during the year. The equity ratio ended at 57.6% per year-end, up from 46.4% per year-end 2022.

Total interest-bearing debt ended at USD 246.9 million at the end of 2023, down from USD 319.5 million at year-end 2022, following ordinary debt repayments, refinancing of bond debt and lower drawdown on revolving credit facilities.

Cash and cash equivalents ended at USD 68.1 million at year-end 2023 against USD 64.9 million as of 31 December 2022. Available long-term liquidity (cash and cash equivalents and available capacity on long-term revolving credit facilities) increased by USD 101.8 million Y-o-Y and ended the year at USD 181.1 million, reflecting strong EBITDA and positive working capital changes, cash from equity issue in May 2023 and up-sizing revolving credit facility capacity, partly offset by cost of dockings, newbuild yard payment, debt service and dividend payments. KCC, through subsidiaries, had per year-end 2023 USD 113.0 million available and undrawn under a long-term revolving credit facility and USD 8.0 million available and undrawn under a 364-days overdraft facility.

Total assets were down from USD 642.9 million to USD 628.0 million.

Cash flow

Net cash flow from operating activities was USD 149.0 million in 2023 (2022: USD 105.9 million) quite in line with EBITDA of USD 135.0 million and net changes in working capital of USD 9.4 million. Net cash flow from investments was negative USD 30.4 million (2022: negative 10.2 million) and relates to dry dock costs for three CABU vessels and one CLEANBU vessel, investments in technical upgrades and energy efficiency initiatives for the fleet and the first yard instalment on the three newbuilds. The cash flow from financing activities was negative USD 115.2 million (2022: negative USD 82.5 million) mainly due to reduced drawdown on revolving credit facilities and a net negative cash flow of USD 8.4 million in relation to bond refinancing in addition to USD 71.3 million in ordinary debt service and USD 66.8 million in dividends, partly offset by net cash from equity issue of around USD 48.7 million.

Dividends

KCC paid USD 66.8 million (2022: USD 42.4 million) in dividends to shareholders in 2023, equal to USD 1.20 per share (2022: USD 0.81 per share).

Financing and going concern

KCC's capital commitments for the next 12 months are fully funded and the equity portion of the newbuild commitment has been secured. Debt to fund around 60% of the newbuild investment will be secured closer to deliveries which is estimated to be Q1-Q3 2026. The refinancing risk is limited as no debt facilities fall due in 2024 except for a USD 8 million overdraft facility that is renewed on an annual basis.

[6] High risk observation is an internal definition of a significant legislative, safety or pollution risk.
[7] EEOI (Energy Efficiency Operational Index) is defined by IMO and represents grams CO2 emitted per transported cargo per nautical mile.

[8] Average TCE earnings is an alternative Performance Measure (APM); see reconciliation in excel sheet "APM4Q2023" published on the Company's homepage (www.combinationcarriers.com) Investor Relations/ Reports and Presentation under the section for the Q4 2023 report.

In June 2023, a subsidiary of KCC completed the refinancing of two mortgage debt facilities falling due in December 2023 and October 2025. The refinancing released ~USD 38 million in additional capacity based on the drawn and undrawn amounts under the existing facilities. The facility has a tenor of five years and is repaid on a close to 18-years average age adjusted profile. The margin will be adjusted up or down on an annual basis based on KCC's EEOI performance in relation to the trajectory in the sustainability-linked financing framework.

In September 2023, KCC completed a bond issue of NOK 500 million (KCC05) with a five-year tenor. In relation to the issue, KCC repurchased NOK 508.5 million of the KCC04 NOK 700 million bond issue that falls due in Q1 2025. The final repayment amount is linked to KCC's emission performance.

The 364 days overdraft facility was renewed in December 2023 for a 364-days period and the total amount was reduced from USD 15 million to USD 8 million.

All relevant debt facilities and interest rate derivatives were transferred from LIBOR to SOFR prior to the end of June 2023.

The accounts are reported under the assumption of a going concern. The Board considers the financial position of the Group at year-end 2023 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 commitments over the next 12 months.

There have been no major transactions or events following the closing date that would have a negative impact on the evaluation of the financial position of Klaveness Combination Carriers ASA.

Related parties' transactions

KCC purchases services related to business administration, ship management, project management and commercial operations from related parties in the Torvald Klaveness Group. All services are priced on arm's length basis and related party transactions and services are included as a recurring item in most of the Audit Committee meetings. The services are benchmarked on an annual basis and the benchmark is presented to the Board of Directors. See note 19 to the Consolidated Financial Statements for 2023 for more information on related party transactions.

The parent company

The result for the parent company, Klaveness Combination Carriers ASA, was a profit after tax of USD 54.8 million for 2023 (2022 restated: profit USD 31.2 million). The profit is proposed transferred to other equity. The Board of Directors has proposed dividends of USD 21.2 million for Q4 2023 which has been booked as a provision in the accounts as per 31 December 2023.

Events after the balance sheet date

Based on the escalating situation in the Red Sea area, KCC has decided to not trade any of its vessels through the Red Sea until the situation improves.

On 15 February 2024, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of in total USD 21.2 million for fourth quarter 2023 (USD 0.35 per share).

The business

The overall strategic target for Klaveness Combination Carriers ASA is to provide the lowest carbon emission shipping service at the lowest cost to our dry bulk, chemical and product tanker clients. The company has an ambition to grow its business by developing further existing and establish new combination carrier concepts that fit with the Group's existing business platform. The Group had a fleet of 16 vessels in operation and three newbuilds at order per year-end 2023. KCC's registered business address is Drammensveien 260, 0283 Oslo, Norway.

The shares are listed on Oslo Stock Exchange with ticker KCC. The 20 largest shareholders accounted for 83.5% of total shares by year-end 2023, of which the largest shareholder is Rederiaksjeselskapet Torvald Klaveness with an ownership of 53.8%.

CABU

By year-end 2023, the CABU combination carrier fleet consisted of eight vessels employed in trades between Far East and Middle East to/from Australia. In addition, the Group concluded in 2023 a shipbuilding contract with Jiangsu New Yangzi Shipbuilding Co., Ltd in China, to build three third generation CABU vessels with delivery in 2026.

CABU TCE earnings increased by almost $8,000/day from 2022 to 2023 and ended at $34,742/day in 2023, 1.1 times higher than average spot earnings for standard MR tankers as reported by brokers[9]. The CABU fleet continued to deliver industry leading operational efficiency with days in ballast accounting for only 12% of total on-hire days.

Most of the CABU wet capacity is each year covered by short- and long-term contract of affreightments (COA). During 2023, KCC increased its market share of caustic soda solution (CSS) shipments to Australia, increasing the share of days in main combination trades to 92% for 2023, up from 80% in 2022. CSS COAs cover the full wet capacity of the CABU fleet also for 2024. Approximately 40% of the secured contract days for 2024 have fixed freight rates concluded at historically strong levels, but somewhat below the 2023 contract rates. The remaining 60% of contract days are covered by index-linked contracts, accounting for a considerably higher share of contract days than in 2023 (35%-points).

Three vessels were dry-docked in 2023 with in total 140 scheduled off-hire days. One vessel completed the installation of several energy efficiency measures including a pilot retrofit installation of a shaft generator and an air lubrication system and had in total 90 off-hire days. Unscheduled off-hire ended at 26 days for 2023, down from 104 days in 2022.

CLEANBU

The eight CLEANBU vessels in operation service the petroleum and petrochemical industries trading wet products, mainly Clean Petroleum Products (CPP) into dry bulk export hubs and dry bulk products back to the CPP loading areas.

Average TCE earnings for the CLEANBU fleet for 2023 ended at $35,214/day for the year, up approximately $2,600/day from 2022 mainly due to a strong product tanker market and a high share of capacity employed in wet trades. TCE earnings for the CLEANBU fleet were somewhat outperformed by the spot market for standard LR1[10] tanker vessels in 2023 (multiple 0.9).

The number of customers using the vessels and terminals accepting the vessels increased throughout 2023 improving further the trading flexibility and efficiency as well as the competitive strength of the CLEANBU fleet. This can be illustrated by the successful adjustment of trading of the CLEANBU fleet in the wake of increasing import of Russian oil products into South America and hence reduced import volumes from Middle East and India. Another example is the successful allocation of an increasing share of the CLEANBU fleet capacity in wet trades (76% in 2023 vs. 54% in 2022) to benefit from a significantly stronger product tanker market compared to the dry-bulk market through 2023. This had some negative impact on trading efficiency with share of days in combination trading falling from 87% in 2022 to 79% in 2023, and days in ballast increasing from 13% in 2022 to 17% in 2023.

KCC concluded in early 2023 a new three-years COA with Raizen for shipment of oil products into Brazil and export of sugar out of Brazil. This COA strengthens KCC's position in the important South American market for the CLEANBU fleet. One CLEANBU vessel was also in early 2023 fixed on a two-years time charter (TC) to take benefit of the strong product tanker market in early 2023.

One CLEANBU vessel completed dry-dock in 2023 and one vessel went into dry-dock towards the end of the year, with in total 37 scheduled off-hire days for 2023. The fleet had 11 unscheduled off-hire days in 2023 mainly related to repair and service.

Market developments and outlook

Earnings of KCC's combination carriers are driven by the Panamax/Kamsarmax dry bulk market, MR and LR1 product tanker markets and fuel markets.

Freight rates for global seaborne transportation are highly volatile and cyclical. The demand for global seaborne transportation depends on global economic growth, and in particular the development of the energy and commodities markets.

Dry bulk market[11]

During first half 2023, the Panamax spot market had an unusually weak start of the year with average earnings (P5TC) of $11,800 /day. The market gradually improved in the second of the year lifting the second half average earnings to approximately $14.000/day, primarily resulting from a sharp increase in earnings in November and December. Average TCE earnings for a standard Panamax vessel for 2023 were approximately $12,950/day, down 37% from 2022.

2023 saw a healthy demand growth of 4.4% Y-o-Y measured in volumes loaded. However, the effective fleet growth was even higher primarily because of lower congestion.

Going into 2024, the dry bulk markets have been stronger than what is normally expected as this is a seasonally weak period of the year. The market is increasingly positively affected by inefficiencies related to restrictions in canal passages both through Panama (Gatun drought) and Aden/Suez (Red Sea risk) resulting in longer sailing durations. The combined effect in theory lifts overall utilization of the dry bulk fleet 3.5%-points in event of a complete disruption and with potentially larger effects for the Supramax and Panamax segments as the canal restrictions historically have the largest effect of the trade patterns of these segments. While the Panama drought is expected to improve after first quarter 2024, the Suez situation is harder to predict, but may continue for longer.

Klaveness Research expects a nominal dry bulk fleet growth of around 2% for 2024, while they expect continued improving demand from the world excluding China as inflationary pressure moderates. Demand growth from iron ore, grains, bauxite and minor bulks is expected to exceed nominal fleet

[9] Average MR TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.

[10] Average LR1 TCE earnings as reported by Clarksons. One month lag due to normal time of fixing.
[11] Source: Klaveness Research

growth. The coal demand side seems most uncertain given the very strong Chinese import levels in 2023. Overall, the supply-demand balance for the dry bulk market looks positive.

Product tanker market[12]

After a record year in 2022, the tanker market strengthened further in 2023 delivering another record year according to Clarksons Research. Average Tanker Earnings Index, the average LR1 tanker earnings (1 month lagged) ended at around $39,100/day compared to $32,000/ day in 2022, an increase of 22%. Several factors contributed to the strong rate environment. Firstly, the increased product demand due to the Chinese economy's post-covid rebound. Secondly, the increased ton-mile demand on the back of trade disruption following the G7 ban on Russian oil imports. Thirdly, the drought situation in Panama led to tonnage supply shortage in the US Gulf and increased ton-mile demand due to deviations of product tankers around Cape Horn.

Due to the disruption in the Red Sea and the resulting increased ton-mile of routing vessels around the Cape of Good Hope instead of the Suez Canal, the product tanker market strengthened significantly in January 2024. It is currently difficult to assess if and when the current war-like conditions could be resolved allowing a normalization of vessel transits through the area. It is also difficult to predict the exact effects on the product tanker market going forward as the vessel rerouting and the spike in freight rates could negatively impact trade flows and volumes. However, irrespective of the short or medium-term effects of the situation in the Red Sea, the underlying ton-mile growth is expected to outpace the supply growth throughout the year, resulting in a strong product tanker market for 2024.

Oil consumption in 2023 is estimated at around 101.3 mn bbl/ day, 2.3% higher than in 2022. The global oil consumption is estimated to grow by around 1.5% in 2024.

Fuel market[13]

Oil prices decreased by 10% through 2023 from around $85.9/ bbl in start of 2023 to $77/ bbl by year-end 2023. The oil price volatility remained high with e.g. Brent trading above $90/ bbl during October due to the escalation of the Middle East conflict. Average VLSFO prices ended at $620/ mt, down 23% from 2022 which ended at $800.

Risk review and risk management

It is important for the Board of Directors that the right risk-reward assessment is made and that internal control routines are good. Main risks related to KCC are discussed with the Audit Committee and the Board of Directors several times each year and more specifically related to different projects when relevant. Risks are identified and assessed based on a probability and impact matrix and mitigating actions are outlined for the main risks. Risks related to technical operation of the vessels and crew safety are assessed, monitored, and handled by the ship manager, Klaveness Ship Management AS.

Below is a list of some of the principal risks identified that may affect business operations, reputation, financial position, operations and, ultimately the share price, with focus on the next 12 months:

- Volatile freight rates and unfavourable changes in trade flows and volumes, whether from structural changes or events such as the Russian invasion of Ukraine or Alcoa's decision to cease production at one of its alumina refineries in Western Australia
- Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks, including but not limited to developing trades and a brand in the clean petroleum market and obtaining acceptance and/ or exemptions from clients and terminals to operate in combination trades where the vessels trade consecutively with dry bulk and clean petroleum product (CPP) cargoes
- Dependence on key customers and contract renewals, particularly related to caustic soda solution transportation
- Increased risk to vintage tonnage due to stricter emissions regulations (e.g. CII and EEXI) and customer requirements
- The Group is an early adopter of energy efficiency technology. Success depends on the ability to deliver on the budgeted cost and time, and that the projects deliver the estimated fuel/energy savings
- Geopolitical risks, including wars, disputes, political instability, terrorism and piracy, exemplified by the wars in Ukraine and Gaza, and the tensions in the Red Sea, may impact crew costs, insurance premiums, operations, and the Group's ability to conduct efficient combination trades

In a longer-term perspective, the current assessment includes the following risks:

- Global economic growth and the impact on energy and commodity markets
- Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels
- Newbuilding program with delivery of three CABU newbuilds in 2026

A description of the risks can be found in note 16 to the Financial Statements for 2023 and for some of the risks in the ESG Performance Report 2023. The risk picture will change over time.

Board development

The Board of Directors held ten meetings in 2023, whereof four related to quarterly reports only, with an attendance of 96% percent and the Audit Committee held five meetings. The Board of Directors consists of five members, whereof two women. There was no change of members in the Board of Directors during 2023. The Company's Officers and Directors are covered by Rederiaksjeselskapet Torvald Klaveness' Commercial Management Liability Insurance with AXA covering e.g. the Company's Officers' and Directors' acts, errors and omissions on specified terms and conditions, and with limitations.

The Board of Directors has an annual plan. It includes recurring topics such as strategy review, business planning, risk and compliance oversight, financial reporting as well as reporting on Health, Safety and Environment. High on the Board's agenda in 2023 was newbuild ordering and private placement, optimizing both the CABU and the CLEANBU business, evaluating and substantiating the long-term strategic direction of the Company and pursuing investments in energy efficiency measures.

This report contains certain forward-looking statements that involve risks and uncertainties. The forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of risks, uncertainties and other factors that may cause actual results, events and developments to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. We, our subsidiary undertakings, and any such person's officers, directors, or employees are unable to provide any assurance that the assumptions underlying such forward-looking statements are free from errors, nor do any of the aforementioned persons accept any responsibility for the future accuracy of the opinions expressed in this report or the actual occurrence of the forecasted developments described herein. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations. You should therefore not place undue reliance on forward-looking statements.

Oslo, 31 December 2023

Oslo, 07 March 2024

Ernst Meyer Chair of the Board	**Magne Øvreås** Board member	**Brita Eilertsen** Board member
Winifred Patricia Johansen Board member	**Gøran Andreassen** Board member	**Engebret Dahm** CEO

[12] Source: Clarksons Securities and Shipping Intelligence Network (SIN) Oil and Tanker Trades outlook market January 2024.
[13] Source: Bloomberg and Clarksons SIN.

Corporate Governance Report

Corporate Governance

Klaveness Combination Carriers ASA (“KCC” or the “Company”) strives to protect and enhance shareholder values through openness, integrity and equal shareholder treatment, and sound corporate governance is a key element in KCC.

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 most recent Norwegian Code of Practice for Corporate Governance, dated 14 October 2021 (the «Code of Practice»). The below description follows the same structure as the Code of Practice and covers all sections thereof.

The corporate governance report follows the “comply and explain” principles. Where KCC does not fully comply with the Code of Practice, an explanation of the reason for the deviation and what alternative solution the Company has selected have been included.

Deviations from the Norwegian code of practice for corporate governance

In the Board of Directors’ assessment, KCC has one minor deviation from the Code of Practice:

Section 6, General meetings
KCC has one deviation from this section:

“Ensure that the members of the Board of Directors … attend at the General Meeting”: All Board members have historically not been present at the General Meetings. Matters under consideration at the General Meetings of Shareholders have not up until now required this. The Chair of the Board of Directors is always present at the General Meetings. Other board members participate when needed. The Board of Directors considers this to be adequate.

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 activities and relations with customers, suppliers, employees, and other stakeholders. Klaveness Code of Conduct (published on www.combinationcarriers.com) applies to the Company and all services provided to the Company under service- and management agreements between the Company and any of its subsidiaries and Torvald Klaveness companies.

No deviations from the Code of Practice.

2. 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 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 on the Company’s web site and are subject to annual assessments. ESG in general and more specifically decarbonization of KCC’s activities are highly integrated in the Company’s strategy and are focus areas in everything from daily operations to Board decisions.

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. The Board regularly reviews and monitors the Company’s capital structure to ensure it is in line with the Company’s objectives, strategies, and risk profile. The Company has prepared a statement of its Finance Policy, providing information about the Company’s capital allocation priorities, funding policy and risk management activities. A summary of the Finance Policy can be found on www.combinationcarriers.com.

The book equity of the Klaveness Combination Carriers Group as per 31 December 2023 was USD 361.7 million, which represents an equity ratio of 58%. Cash and cash equivalents were USD 68.1 million per year-end 2023 and the Group has in addition USD 113.0 million in available long-term undrawn bank debt. The debt sources are diversified (mortgage bank debt and bond issue) and have a distributed maturity profile. The Board believes the capital structure is appropriate based on its objectives, strategies, and risk profile.

The Board has established a 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 and debt.

At the Annual General Meeting (AGM) in April 2023, the Board was granted an authorization to resolve distribution of dividends. The authorization is valid until the Annual General Meeting in 2024, however no longer than 30 June 2024. Dividends of USD 1.20 per share, in total USD 66.8 million, were approved and distributed to shareholders in 2023.

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 2023, the Board of Directors were granted an authorisation to increase the share capital by up to NOK 10,474,400, which equalled 20% of the share capital. 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 2024, but no longer than 30 June 2024. In May 2023, the Company issued 7,857,143 new shares (par value NOK 1) in a private placement to partly fund three CABU newbuilds.

Furthermore, at the AGM in 2023, the Board of Directors was granted an authorisation to increase the share capital by up to NOK 552,420, which equalled approximately 1.05% of the share capital. The authorisation may only be used to issue shares to the Group’s and or the Group’s employees in connection with incentive programs. The authorisation is valid until the AGM in 2024, however no longer than until 30 June 2024. No new shares have been issued in 2023, as Senior Executives’ share purchases in 2023 were settled through use of treasury shares (13,500 shares of par value NOK 1) and Senior Executives’ declarations of vested options were settled in cash.

At the Extraordinary General Meeting 24 September 2018, the General Meeting issued in total 229,088 warrants to Klaveness Ship Holding AS (later merged into Rederiaksjeselskapet Torvald Klaveness), EGD Shipholding AS and Hundred Roses Corporation. All warrants were exercised in 2023 and 229,088 new shares were issued upon exercise (par value NOK 1).

At the AGM in 2023, the Board was granted an authorisation to acquire own shares, with a total nominal value of up to NOK 5,237,200, which equalled 10% of the share capital. The authorisation may only be used for the purpose of using treasury shares 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, or to cancel the shares and consequently decrease the Company’s share capital. The authorisation is valid until the AGM in 2024 but will last no longer than 30 June 2024. No shares were repurchased in 2023.

No deviations from the Code of Practice.

4. Equal treatment of shareholders

The shares of KCC are listed on Oslo Stock Exchange. 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.

Historically, transactions involving own shares have been executed on the stock exchange and buybacks of own shares have been executed at the current market rate.

No deviations from the Code of Practice.

5. Shares and negotiability

KCC's shares are freely tradable and there are no restrictions on the sale and purchase of the Company's shares beyond those pursuant to Norwegian law.

Each share carries one vote.

No deviations from the Code of Practice.

6. 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 to the meeting.

The notices for such meetings shall include documents providing the shareholders with sufficient detail for the shareholders to assess all the cases to be considered as well as all relevant information regarding procedures of attendance and voting, including: (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 General Meeting.

The Board will arrange matters so that shareholders who are unable to attend in person, will be able to vote by proxy.

The Chair of the Board and the CEO are present at the Annual General Meeting, and the Chair 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.

Deviations from the Code of Practice: See "Deviations from the Norwegian code of practice for corporate governance" section on the first page of this report.

7. Nomination Committee

According to the articles of association, the Company shall have a Nomination Committee which is elected by the Annual 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 consider the interests of shareholders in general. The current three members of the Nomination Committee are considered independent of the Board of Directors and the executive management team. Two of the members of the Nomination Committee are owners of the two largest shareholders in the Company (Rederiaksjeselskapet Torvald Klaveness and EGD Shipping Invest AS). 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 Annual General Meeting.

The service period 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 management team in its work with proposing members to the Board of Directors.

The current members of the Nomination Committee are:

- Trond Harald Klaveness (Chair) – until 2024
- Espen Galtung Døsvig – until 2025
- Anne Lise Gryte – until 2025

No deviations from the Code of Practice.

8. Board of Directors: Composition and independence

In appointing members to the Board of Directors, it is emphasised that the Board shall have the required 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 Chair 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 of Directors.

The Board of Directors currently consists of the following five members:

- Ernst Andre Meyer (Chair) – until 2024
- Magne Øvreås – until 2024
- Winifred Patricia Johansen (independent) – until 2025
- Brita Eilertsen (independent) – until 2024
- Gøran Andreassen – until 2024

An introduction to the members of the Board of Directors and their experience can be found on www.combinationcarriers.com.

No deviations from the Code of Practice.

9. The work 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) participate in the development and approval of the Company's strategy, (ii) perform necessary monitoring functions and (iii) act 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 compliant with the Company's values and ethical guidelines in addition to the relevant legislative frameworks. The Board shall ensure that the Company has a competent 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 annually. For information on how related party transactions are handled, see the Board of Directors Report and note 19 in Annual report 2023.

The Board of Directors has established an Audit Committee consisting of Brita Eilertsen (Chair) and Magne Øvreås. 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 of topics to be covered including internal audit procedures. The Company's CFO is the secretary of the Audit Committee. The auditor participates in discussions of relevant agenda items in meetings of the Audit Committee and the Audit Committee holds separate meetings with the auditor several times every year.

No deviations from the Code of Practice.

10. 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 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 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, climate related risks, 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 objectives
- the quality of internal and external reporting
- that the Company operates in accordance with the relevant legislation and regulations as well as in line with its internal guidelines for its activities, including the Company's ethical guidelines and corporate values

The Board of Directors every year 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 and note 16 in Annual Report 2023.

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 whistleblowing related to KCC.

No deviations from the Code of Practice.

11. Remuneration of the Board of Directors

Remuneration of Directors is determined by the Annual General Meeting. The remuneration 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 current Directors have performed assignments for the Company in addition to their appointment as member of the Board of Directors in 2023.

More information about the remuneration of the individual Directors is provided in note 7 in Annual report 2023.

No deviations from the Code of Practice.

12. Salary and other remuneration for executive personnel

The Board determines the salary and other compensation to the CEO. The CEO's salary, long-term incentive program 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, profitability and sustainability, long-term growth in share-holder value and adherence to the Company's values and ethical standards. Any fringe benefits shall be in line with market practice, be simple and transparent, competitive while well-balanced, and reflect the performance and responsibility of the individual. The CEO determines the remuneration of executive employees. The remuneration is based on a base salary, bonus and a long-term incentive program.

The Board proposed a new Long-Term Incentive Program (LTIP) that was included in the Remuneration Guidelines approved by the General Meeting in April 2023. For information about remuneration of executive personnel and the new LTIP see note 7 in the Annual report 2023. The "Remuneration Guidelines" and the "Statement on remuneration" approved by the Annual General Meeting in 2023 are available on the Company's website.

No deviations from the Code of Practice.

13. Information and communications

The Company has established Investor Relations Guidelines and the Company aims to keep 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.

14. Take-overs

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.

15. Auditor

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

The auditor is present at Board meetings when the annual accounts are on the agenda. The auditor will assess any important accounting estimates and matters of importance on which there have 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 representatives of the executive management team 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 2023. For the financial year 2023, Johan Lid Nordby was the Company's engagement partner from EY.

The auditor's fees are approved by the Annual General Meeting. Auditor's fees are disclosed in note 6 in the Annual report 2023.

No deviations from the Code of Practice.

Consolidated Financial Statements

Consolidated Financial Statements

Klaveness Combination Carriers ASA – Consolidated Group

Income Statement

Year ended 31 December

(USD '000)	Notes	2023	2022
Freight revenue	3	247 542	205 769
Charter hire revenue	3	39 624	54 509
Other revenue	3	-	396
Total revenue, vessels		**287 166**	**260 674**
Voyage expenses	4	(90 362)	(96 054)
Net revenue from operations of vessels		**196 805**	**164 620**
Operating expenses, vessels	5	(50 237)	(48 575)
Group commercial and administrative services	19	(5 403)	(4 203)
Salaries and social expense	7	(4 086)	(3 458)
Tonnage tax	21	(198)	(188)
Other operating and administrative expenses	6, 7	(1 933)	(1 242)
Operating profit before depreciation (EBITDA)		**134 947**	**106 955**
Depreciation	9	(31 842)	(31 344)
Operating profit after depreciation (EBIT)		**103 105**	**75 611**
Finance income	8	7 533	3 516
Finance costs	8	(23 739)	(18 257)
Profit before tax (EBT)		**86 899**	**60 869**
Income tax expenses	21	-	-
Profit after tax		**86 899**	**60 869**
Attributable to:			
Equity holders of the parent company		86 899	60 869
Total		**86 899**	**60 869**
Earnings per Share (EPS):			
Basic earnings per share		1.52	1.16
Diluted earnings per share		1.52	1.16

Statement of Comprehensive Income

Year ended 31 December

(USD '000)	Notes	2023	2022
Profit/ (loss) of the period		**86 899**	**60 869**
Other comprehensive income to be reclassified to P&L	13		
Net movement fair value on cross-currency interest rate swaps (CCIRS)		2 100	(3 707)
Reclassification to profit and loss (CCIRS)	13	(6 044)	8 559
Net movement fair value on interest rate swaps	13	(2 245)	11 663
Net movement fair value bunker hedge	13	126	(231)
Net movement fair value FFA futures	13	247	8 240
Net change on cost of hedging FFA option	13	-	-
Net change on intial value of FFA option		-	123
Net other comprehensive income to be reclassified to P&L		**(5 816)**	**24 647**
Total comprehensive income/(loss) for the period, net of tax		**81 083**	**85 515**
Attributable to:			
Equity holders of the parent company		81 083	85 515
Total		**81 083**	**85 515**

Klaveness Combination Carriers ASA – Consolidated Group

Statement of Financial Position

Assets (USD '000)	**Notes**	**31 Dec 2023**	**31 Dec 2022**
Non-current assets			
Vessels	9	497 072	516 072
Newbuilding contracts	10	17 591	-
Long-term receivables	7	107	70
Long-term financial assets	13	6 325	7 762
Total non-current assets		**521 095**	**523 905**
Current assets			
Short-term financial assets	13	1 699	4 923
Inventories	12	12 123	18 898
Trade receivables and other current assets	14	24 942	30 061
Short-term receivables from related parties	19	110	202
Cash and cash equivalents	15	68 071	64 918
Total current assets		**106 947**	**119 002**
Total assets		**628 041**	**642 906**

Equity and liabilities (USD '000)	**Notes**	**31 Dec 2023**	**31 Dec 2022**
Equity			
Share capital	18	6 977	6 235
Share premium		202 852	153 732
Other reserves		10 722	16 490
Retained earnings	18	141 147	121 087
Total equity		**361 698**	**297 545**
Non-current liabilities			
Mortgage debt	13	154 835	156 534
Long-term financial liabilities	13	657	2 466
Bond loan	13	66 897	69 975
Total non-current liabilities		**222 388**	**228 975**
Current liabilities			
Short-term mortgage debt	13	25 199	92 769
Other interest bearing liabilities	13	-	233
Short-term financial liabilities	13	328	249
Trade and other payables		17 052	22 250
Short-term debt to related parties	19	1 179	693
Tax liabilities	21	196	193
Total current liabilities		**43 954**	**116 387**
Total equity and liabilities		**628 041**	**642 906**

Oslo, 31 December 2023

Oslo, 07 March 2024

Ernst Meyer
Chair of the Board

Magne Øvreås
Board member

Brita Eilertsen
Board member

Winifred Patricia Johansen
Board member

Gøran Andreassen
Board member

Engebret Dahm
CEO

Klaveness Combination Carriers ASA – Consolidated Group

Statement of Changes in Equity

Attributable to equity holders of the parent

2023 (USD '000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Cost of hedging reserve	Retained earnings	Total
Equity 1 January 2023	**6 235**	**153 732**	**(147)**	**17 351**	**(714)**	**121 087**	**297 545**
Profit (loss) for the period	-	-	-	-	-	86 899	86 899
Other comprehensive income for the period	-	-	-	(5 816)	-	-	(5 816)
Private placement May 2023 (note 18)	721	48 619	-	-	-	-	49 340
Warrants (note 18)	21	480	-	-	-	-	501
Employee share purchase (note 7)	-	21	50	-	-	-	71
Share options granted through LTIP (note 17)	-	-	-	-	-	(2)	(2)
Dividends	-	-	-	-	-	(66 836)	(66 836)
Equity at 31 December 2023	**6 977**	**202 852**	**(97)**	**11 533**	**(714)**	**141 147**	**361 698**

2022 (USD '000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Cost of hedging reserve	Retained earnings	Total
Equity 1 January 2022	**6 235**	**153 732**	**(147)**	**(7 294)**	**(714)**	**102 605**	**254 417**
Profit (loss) for the period	-	-	-	-	-	60 869	60 869
Other comprehensive income for the period	-	-	-	24 647	-	-	24 647
Share option program	-	-	-	-	-	35	35
Dividends	-	-	-	-	-	(42 421)	(42 421)
Equity at 31 December 2022	**6 235**	**153 732**	**(147)**	**17 351**	**(714)**	**121 087**	**297 545**

Cash Flow Statement

Year ended 31 December

(USD '000)	Notes	2023	2022
Profit before tax		86 899	60 869
Tonnage tax expensed		198	188
Depreciation	9	31 842	31 344
Amortization of upfront fees bank loans		1 784	1 352
Financial derivatives unrealised loss / gain (-)	8	18	(232)
Gain related to modification of debt	8	-	(1 175)
Gain /loss on foreign exchange	8	169	207
Interest income	8	(7 246)	(3 284)
Interest expenses	8	21 481	16 698
Change in current assets		11 985	(16 504)
Change in current liabilities		(2 550)	4 488
Collateral paid/received on cleared derivatives		(186)	8 901
Interest received		4 593	3 030
A: Net cash flow from operating activities		**148 988**	**105 883**
Acquisition of other tangible assets	9	(12 843)	(10 238)
Installments and other cost on newbuilding contracts	10	(17 591)	-
B: Net cash flow from investment activities		**(30 434)**	**(10 238)**
Repurchase bond incl premium (KCC04)	13	(55 478)	-
Proceeds from new bond issue (KCC05)	13	47 112	-
Transaction costs on issuance of loans	13	(2 303)	(193)
Drawdown of mortgage debt	13	95 000	-
Repayment of mortgage debt	13	(164 033)	(24 049)
Terminated financial instruments	8, 13	4 001	-
Interest paid	13	(21 894)	(15 378)
Repayment of lease liabilities	13	-	(382)
Interest paid leasing	13	-	(66)
Paid in long term incentive plan	7	27	-
Paid in from exercise of warrants	7	501	-
Paid in registered capital increase	18	49 828	-
Transaction costs on capital increase	18	(1 093)	-
Dividends	18	(66 836)	(42 421)
C: Net cash flow from financing activities		**(115 168)**	**(82 489)**
Net change in liquidity in the period (A + B + C)		**3 386**	**13 156**
Cash and cash equivalents at beginning of period		64 685	51 529
Cash and cash equivalents at end of period		68 071	64 685
Net change in cash and cash equivalents in the period		**3 386**	**13 156**
Cash and cash equivalents		68 071	64 918
Other interest bearing liabilities (overdraft facility)*		-	233
Cash and cash equivalents (as presented in cash flow statement)		**68 071**	**64 685**

** Cash and cash equivalents include overdraft facility of USD 0.2 million presented as other interest bearing liabilities in the balance sheet as per 31 December 2022.*

Notes

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 2023 were authorized by the Board of Directors on 7 March 2024. Klaveness Combination Carriers ASA (the "Company"/the "Parent 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 Oslo Stock Exchange with ticker KCC. The Parent Company was established on 23 March 2018.

The objectives of the Group are to provide transportation for dry bulk, chemical and petroleum tanker clients, as well as to develop new investment and acquisition opportunities that fit the Group's existing business platform (see note 2 for more information).

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

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as adopted 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.

ESEF/iXBRL reporting

The Company is required to prepare and file the annual report in the European Single Electronic Format (ESEF), and the Annual Report for 2023 is therefore prepared in the XHTML format that can be displayed in a standard browser. The primary statements in the consolidated financial statements and notes to the consolidated financial statements are tagged using inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.

The Annual Report submitted to the Norwegian Financial Supervisory Authority consists of the XHTML document together with certain technical files.

Significant accounting judgements, estimates and assumptions

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

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

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

The areas in which the Company are particularly exposed to material uncertainty over the carrying amounts at the end of 2023 are included within the individual note outlined below:

Note 9 – Useful life, residual value, cash-generating units and impairment testing.

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.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was 10.5658 USD/NOK in 2023 (2022: 9.6197). At 31 December 2023 an exchange rate of USD/NOK 10.2025 (2022: 9.9066) was used for the valuation of balance sheet items.

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 2023.

The Group early adopted amendments to IAS 1 and IFRS Practice Statement 2 regarding disclosure of material accounting policy information instead of significant accounting policies in the 2022 annual report.

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

The Group has not early adopted other than above mentioned 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 2024 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. The Group owns eight CABU vessels, three CABU newbuild contracts and eight CLEANBU vessels.

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)	2023			2022		
	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Operating revenue, vessels	145 785	141 380	287 166	127 455	132 823	260 278
Other revenue	-	-	-	-	396	396
Voyage expenses	(50 120)	(40 242)	(90 362)	(55 018)	(41 036)	(96 054)
Net revenue from operations of vessels	**95 665**	**101 139**	**196 805**	**72 436**	**92 183**	**164 620**
Operating expenses, vessels	(22 138)	(28 098)	(50 237)	(22 917)	(25 657)	(48 575)
Group commercial and administrative services	(2 381)	(3 022)	(5 403)	(1 983)	(2 220)	(4 203)
Salaries and social expense	(1 801)	(2 285)	(4 086)	(1 631)	(1 826)	(3 458)
Tonnage tax	(100)	(74)	(175)	(105)	(83)	(188)
Other operating and administrative expenses	(852)	(1 081)	(1 933)	(586)	(656)	(1 242)
Operating profit before depreciation (EBITDA)	**68 393**	**66 576**	**134 970**	**45 214**	**61 740**	**106 955**
Depreciation	(13 476)	(18 366)	(31 842)	(12 465)	(18 880)	(31 344)
Operating profit after depreciation (EBIT)	**54 917**	**48 210**	**103 129**	**32 749**	**42 860**	**75 611**

Alternative performance measures (APMs)

Average TCE earnings per onhire day is an alternative performance measure. *Alternative performance measures (APMs) are defined and reconciled in the excel sheet "APM4Q2023" published on the Company's homepage (www.combinationcarriers.com) Investor Relations/Reports and Presentations under the section for the Q4 2023 report.*

Reconciliation of average TCE earnings per onhire day

(USD '000)	2023			2022		
	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Net revenue from operations of vessels	95 665	101 139	196 805	72 436	92 183	164 620
Other revenue	-	-	-	-	(396)	(396)
Net revenue ex adjustment	95 665	101 139	196 805	72 436	91 787	164 223
On-hire days	2 754	2 872	5 626	2 703	2 814	5 518
Average TCE earnings per on-hire day ($/d)	**34 742**	**35 214**	**34 983**	**26 796**	**32 614**	**29 764**

Accounting policy

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 Directors.

The reporting of the financial results separates the CABUs and CLEANBUs as two segments, to better evaluate and follow up on the performance of the different vessel concepts. 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.

03 Revenue from contracts with customers

Disaggregated revenue information

The Group has income from Contract of Affreightment (COA) contracts, spot voyage contracts and Time Charter (TC) contracts. Set out below is the disaggregation of the Group's revenue from different contracts with customers.

Revenue types (USD '000)	Classification	2023	2022
Revenue from COA contracts	Freight revenue	138 880	92 852
Revenue from spot voyage contracts	Freight revenue	108 662	112 917
Revenue from TC contracts	Charter hire revenue	39 624	54 509
Other revenue	Other revenue	-	396
Total revenue, vessels		**287 166**	**260 674**

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

The Group had two (one) customers in 2023 (2022) that each represented more than ten percent of operating revenue in the Group:

- USD 34.5 million
- USD 23.5 million

Geographical information

Revenue for the shipping activities is distributed based on the port of discharge for all vessels operated by the Group, including leased vessels on time charter agreements. The table below presents revenue based on the port of discharge.

Region (USD '000)	2023		2022	
Middle East	31 115	11%	76 237	29%
Australia / Oceania	107 041	37%	67 618	25%
North East Asia	31 260	11%	47 386	18%
South America	52 201	18%	41 667	16%
North America	47 484	17%	18 303	7%
Europe	3 479	1%	9 200	3%
Africa	-	0%	4 091	2%
South East Asia	3 879	1%	2 239	1%
South Asia	10 157	4%	-	0%
Total revenue, regions	**286 616**		**266 741**	
Gain/(loss) on FFAs	(140)		(4 324)	
IFRS adjustments	690		(2 139)	
Other revenue	-		396	
Total revenue, vessels	**287 166**		**260 674**	

Contract balances

(USD '000)	31 Dec 2023	31 Dec 2022
Trade receivables from charterers (note 14)	15 497	13 629
Contract assets (note 14)	6 454	9 663
Contract liabilities	3 792	4 485

03 Revenue from contracts with customers

Contract assets are accrued income related to ongoing voyages (revenue recognised from load-to-discharge). Total income related to ongoing voyages as per 31 December 2023 to be recognized in 2024 is USD 10.5 million (excludes revenue from the two year TC contract for one of the vessels which ends February 2025). Contract liabilities are prepaid revenue from customers.

Lease payments to be received from the fixed rate time charter contract with expiry February 2025 is USD 12.6 million in 2024 and 2.1 million in 2025.

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

Accounting policy

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

Contracts of affreightment
The combination carriers are employed on both long and short term contracts of affreightment (COAs) as well as in the spot market. The ambition is to have a large part of the wet exposure covered by contracts of affreightment (COA) and to a larger extent employ the vessels in the spot market when trading dry. The mix of COA and spot business creates ability to optimize the trading of the fleet and provide the COA customers with the flexibility they need in their logistics. When the COA contracts were signed, they had duration between 1-6 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 requires the Group to identify the performance obligations, determine the transaction price, allocate the transaction price to performance obligations for each contract with a customer 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 Group's voyage charters and time charter (TC) contracts qualify for recognition over time. The nature of the Group's revenue 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 they qualify 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 is 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 normally have 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 2023, the Group entered into a two-year TC agreement for one of its CLEANBU vessels, as KCC remains the right to substitute the asset throughout the period of use, the TC agreement is classified as an operating lease. Payments received under operating leases are recognised as revenue on a straight line basis over the lease term.

04 Voyage expenses

(USD '000)	2023	2022
Freight expenses	17 381	21 538
TC-hire	-	1 449
Voyage expenses	72 949	72 486
Fuel hedge settlement	(311)	(456)
Various expenses	343	1 036
Total voyage costs, vessels	**90 362**	**96 054**

Voyage expenses include bunkers cost, port costs and other voyage related expenses. TC-hire is payment for vessels hired in on short-term TCs (1-3 months).

05 Operating expenses

(USD '000)	2023	2022
Technical expenses	18 005	14 387
Crewing expenses	23 050	23 418
Insurance	3 325	3 366
Crewing agency fee to Klaveness Ship Management AS	1 469	1 565
Ship management fee to Klaveness Ship Management AS	4 117	3 819
Other operating expenses	271	2 019
Total operating expenses	**50 237**	**48 575**

Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crewing expenses 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 19 for transactions with related parties.

06 Other operating and administrative expenses

Remuneration to the auditor

(USD '000)	2023	2022
Statutory audit	156	135
Other assurance services	39	34
Total	**196**	**169**

Auditor's fee are stated excluding VAT.

07 Salary

(USD '000)	2023	2022
Salaries and other remuneration	3 586	3 141
Social security tax	376	200
Pension benefit	96	79
Other social costs	12	15
Other personel related expenses	16	22
Salaries and social expense	**4 086**	**3 458**

The Group has ten employees as per year-end 2023. Two new employees started during 2023 and one left the Group. A replacement for this position started in January 2024. From 1 August 2023, two employees from the commercial and operational teams were transferred to Dubai and are now employed by Klaveness Asia Pte. Ltd - Dubai Branch (Related Party).

07 Salary

Diversity of employees	2023		2022	
	Number	Percentage	Number	Percentage
Women	5	50%	3	27%
Men	5	50%	8	73%
Total employees in KCC at year end	**10**	**100%**	**11**	**100%**
Average number of employees	**11,5**		**10,3**	
KCC ASA in Norway	8	80%	6	55%
KCC Asia in Singapore	2	20%	5	45%
Nationalities	3		5	
Sick leave	0.95%			0.25%

Remuneration management

(USD '000)	Base Salary	Bonus	Pension benefit	Total
Engebret Dahm (CEO)	534	288	15	837
Liv Hege Dyrnes (CFO)	390	152	15	557
Total	**924**	**440**	**29**	**1 394**

Base salary in 2023 includes excercised options as part of the long-term incentive program (LTIP). Bonus shown in the above table is earned in 2022 and paid in 2023.

The Company has provided loans to CEO Engebret Dahm of USD 76k in relation to the share purchase part of the LTIP. Interest on the loans is set to the Norwegian Tax Administration is normal interest rate for the taxation of low-cost loans. The loans fall due in 2028 and 2033, respectively.

The Board has established guidelines for determining remuneration to executive personnel. The remuneration is based on a base salary, bonus and share option scheme. The 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 bonus scheme is based on annual distribution 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 in the Remuneration Guidelines. If not employed for a full year, the cap will be pro-rated according to number of months employed. The bonus cap is reached at 20 % return on equity. The discretionary bonus is based on goal achievements and individual performance. Any discretionary bonus to the CEO is decided by the Board. The existing bonus scheme is also applicable for 2024.

The return on equity was above 20% for 2022, hence bonuses of 12 months salary for the CEO and 9 months salary for the CFO were awarded for 2022 and paid in 2023.

Bonus provision for 2023 has been made in the 2023 accounts and will be paid in 2024. Due to the exceptionally strong financial results and goal achievement in 2023, a discretionary element in addition to the formula bonus was awarded to both the management and the bonus pool for other employees. The CEO and the CFO will receive NOK 250k each in addition to the bonus of 12 months and 9 months respectively.

Long-term incentive program
In the option program granted in December 2019, the CEO and CFO were granted 38,580 and 26,700 share options respectively, which were fully vested in December 2022. The share options had an exercise price of NOK 46.14, adjusted for any distribution of dividends made before the relevant options were excercised. During 2023, both the CEO and CFO exercised all the 65,280 options in the Company against cash settlement by the Company. The option settlement in cash of in total USD 0.3 million is recognised as payroll expenses in 2023.

The Board proposed a new LTIP which was approved by the General Meeting in April 2023. See note 17 for more information.

Pension scheme for all employees
The Group has defined contributions plan for all employees in Norway. The contribution plan includes full-time and part- time employees and comprises 5 % of salary up until 7.1G and 20 % of salary between 7.1G and 12G. As of 31 December 2023 there were eight members of the defined contribution plan. The expense recognised in the current financial period in relation to the contribution plan was USD 96k (2022: USD 79k). KCC does not make any pension contributions to employees in Singapore in line with national legal requirements.

Remuneration Board of Directors

(USD '000)	2023	2022
Ernst Meyer (Chair of the Board from 29 April 2022)*	49	36
Lasse Kristoffersen (Chair of the Board until 29 April 2022)*	-	18
Magne Øvreås (Board member and member of Audit Committee)	34	37
Morten Skedsmo (Board member until 29 April 2022)*	-	11
Gøran Andreassen (Board member from 29 April 2022)*	29	21
Rebekka G. Herlofsen (Board member and Chair of Audit Committee until 29 April 2022)	-	13
Winifred Patricia Johansen (Board member)	29	32
Brita Eilertsen (Board member and Chair of Audit Committee from 29 April 2022)	36	26
Total	**177**	**195**

**Remuneration paid to Klaveness AS, a wholly owned subsidiary of the main shareholder Rederiaksjeselskapet Torvald Klaveness. The persons are employed by Klaveness AS. Compensation for Board work is thus included in the regular salary since such positions are a part of their regular employment.*

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

Diversity of Board of Directors	2023		2022	
	Number	Percentage	Number	Percentage
Women	2	40%	2	40%
Men	3	60%	3	60%

In appointing members to the Board of Directors, it is emphasised that the Board shall have the required 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. An introduction to the members of the Board of Directors and their expertise can be found on www.combinationcarriers.com.

08 Financial items

Finance income (USD '000)	2023	2022
Other interest income	4 594	2 109
Fair value changes interest rate swaps (note 13)	-	232
Gain related to modification of debt (note 13)	-	1 175
Gain on currency contracts	285	-
Gain on terminated cross-currency swaps (note 13)	2 652	-
Other financial income	1	-
Finance income	**7 533**	**3 516**

08 Financial items

Finance cost (USD '000)	2023	2022
Interest expenses mortgage debt	13 590	11 769
Interest expenses bond loan	5 756	4 767
Interest expenses lease liabilities	-	66
Amortization capitalized fees on loans	1 784	1 352
Other financial expenses	2 135	97
Fair value changes and realization effects of interest rate swaps	303	-
Loss on foreign exchange	169	207
Finance cost	**23 739**	**18 257**

Other financial expenses of USD 2.1 million include premium paid on the repurchase of bond of USD 1.9 million. Gain of USD 0.3 million on USD/NOK futures maturing during 2024.

09 Vessels

Vessels (USD '000)	31 Dec 2023	31 Dec 2022
Cost price 1.1	742 721	734 955
Dry docking	4 959	5 620
Energy efficiency upgrade	7 566	2 772
Technical upgrade	319	1 845
Disposal of vessel	-	(2 472)
Cost price end of period	**755 564**	**742 721**
Acc. Depreciation 1.1	226 649	198 092
Disposal of vessel	-	(2 472)
Depreciation vessels	31 842	31 029
Acc. Depreciation end of period	**258 492**	**226 649**
Carrying amounts end of period*	**497 072**	**516 072**
**) carrying value of vessels includes dry-docking*		
No. of vessels	16	16
Useful life vessel	25	25
Useful life Dry Docking	2-3	2-3
Depreciation schedule	Straight-line	Straight-line

Reconciliation of depreciations (USD '000)	2023	2022
Depreciation vessels	31 842	31 029
Depreciation right of use assets	-	315
Depreciations for the period	**31 842**	**31 344**

Additions
Three CABU vessels and one CLEANBU vessel have completed scheduled dry- docking in 2023 with total cost of USD 5.0 million. Technical and energy efficiency upgrades of USD 7.9 million are related to general improvement of the technical performance of the vessels and energy efficiency initiatives, deducted by grants from ENOVA of in total USD 1.1 million recognized as per year end 2023. KCC has secured in total approximately USD 1.4 million in grants from ENOVA to finance investments in energy saving solutions for one CABU vessel and one CLEANBU vessel. The dry-dock of the CABU vessel was completed in 2023 and USD 0.8 million in funding was collected from ENOVA. The CLEANBU vessel will complete dry-dock in March 2024.

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

Pledged vessels
All owned vessels except MV Bangor, MV Banastar and MV Barcarena are pledged to secure the various debt facilities (refer to note 13 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 rise in interest rates in isolation increases the discount rate used in calculation of recoverable amount. As previous sensitivity analysis of recoverable amount shows that the decrease in recoverable amount is unlikely to result in a material impairment loss, as per IAS 36.16, this has not been considered an impairment indicator. Expected future TCE earnings for both fleets of CABUs and CLEANBUs, diversified market exposure, development in secondhand prices and the combination carriers' trading flexibility support the conclusion of no impairment indicators identified as per 31 December 2023.

Accounting policy

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

Useful life and residual values
The carrying amount of vessels is based on management's assumptions of useful life. Useful life for the combination carrier vessels is reassessed on an annual basis. Useful life may change due to technological developments, competition, environmental and legal requirements, freight rates and steel prices. Management has also considered the impact of decarbonisation and climate related risks on the existing assets' useful lives. Such risks include new climate related legislation restricting the use of certain assets, new technology demanded by climate related legislation and customer requirements (see note 16).

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

KCC commits to perform recycling of its vessels in compliance with the Hong Kong Convention, the Norwegian Shipowners' Association's guidelines and when relevant the EU Ship Recycling Regulation. Annual assessment of residual value is based on observable market prices and available recycling alternatives as of today. Residual value estimates for the KCC vessels have been calculated based on average steel prices for Turkey and India, deducted by best estimate of direct costs for recycling. There is a high degree of uncertainty in net green pricing for recycling. KCC has concluded to retain a residual value of USD 3.8/5.3/5.9 million for CABUI/CABUII/CLEANBU for 2024.

Impairment testing
At the end of each reporting period the Group will assess whether there is any indication of impairment. If any indication exists, 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 2022 and 2023 no indicators for impairment were identified.

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

Government grants
The government grants related to assets are presented in the statement of financial position by deducting the grants from the carrying amounts of the assets. Government grants are recognized according to the percentage of completion method in the proportion to which depreciation expense of the assets are recognized. The grants are recognized in profit or loss over the life of the depreciable asset as a reduced depreciation expense.

ENOVA = A Norwegian government enterprise responsible for promotion of environmentally friendly production and consumption of energy.

10 Newbuildings

The Group has per 31 December 2023 three CABU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China. The contract price is USD 56.7 million per vessel and estimated delivery costs are approximately USD 60 million per vessel. The expected delivery of the vessels is Q1-Q3 2026.

Installments of USD 17.2 million are paid as of year end 2023. The newbuildings are partly financed through an equity raise in 2023 and cash on the balance sheet, and there are no borrowings related to the newbuildings as of 31 December 2023. Project fees of USD 0.4 million have been capitalized during 2023.

Newbuildings, net carrying amount (USD '000)	31 Dec 2023	31 Dec 2022
Cost 1.1	-	-
Yard installments paid	17 205	-
Other capitalized cost (project fee to KSM, Note 19)	386	-
Net carrying amount	**17 591**	**-**

Accounting policy

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.

11 Leasing

The Group as a lessee

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

Right-of-use assets (USD '000)	31 Dec 2023	31 Dec 2022
Cost price 1.1	-	2 973
Addition of right-of-use assets	-	-
Disposals	-	(2 973)
Costprice end of period	**-**	**-**
Acc. Depreciation 1.1	-	1 420
Depreciation right of use assets	-	382
Disposals	-	(1 802)
Acc. Depreciation end of period	**-**	**-**
Carrying amounts end of period	**-**	**-**

Undiscounted lease liabilities and maturity of cash outflows (USD '000)	31 Dec 2023	31 Dec 2022
Less than 1 year	-	-
1-5 years	-	-
More than 5 years	-	-
Total undiscounted lease liabilities at 31 December	**-**	**-**

Accounting policy

Right of use assets
The Group applies the recognising exemptions proposed by the IFRS 16 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.

12 Inventories

Inventories (USD '000)	31 Dec 2023	31 Dec 2022
Bunkers	10 738	17 254
Spare parts	99	99
Luboil	1 286	1 545
Inventories	**12 123**	**18 898**

Inventories relate to bunkers, spare parts and luboil on board vessels.

Accounting policy

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).

13 Financial assets and financial liabilities

The below tables present the Group's financing arrangements as per 31 December 2023.

In June 2023 a subsidiary of KCC completed the refinancing of two mortage debt facilities falling due in December 2023 and October 2025. The two facilities were merged into one facility of USD 190 million, divided into a term loan tranche and a revolving credit tranche (50/50). The refinancing released approximately USD 38 million in additional available liquidity including undrawn capacity on the revolving credit tranche. The loan bears interest of Term SOFR + 2.1%, has a tenor of 5 years, and is repaid on a close to 18-years average age adjusted profile. The margin will be adjusted on an annual basis based on KCC's carbon intensity (EEOI) performance in relation to the trajectory in the Sustainability-Linked Financing Framework published in June 2023.

During the first half of 2023 all relevant debt facilities were transferred from LIBOR to SOFR.

In September 2023 the Group completed a new senior unsecured sustainability-linked bond issue (KCC05) of NOK 500 million with maturity date 5 September 2028. The bond carries a coupon of 3 months NIBOR + 365 bps, and the final repayment amount is linked to the Group's carbon intensity (EEOI) performance in relation to the trajectory in the Sustainability-Linked Financing Framework published in June 2023. In conjunction with the KCC05 issue, the Group repurchased NOK 508.5 million of the KCC04 bond issue falling due in February 2025.

In December 2023 the 364-days overdraft facility was extended by additional 364 days. The commitment under the overdraft facility was reduced from USD 15 million to USD 8 million based on the Group's reevaluated need.

Mortgage debt (USD '000)	Description	Interest rate	Maturity	Carrying amount
DNB/SEB/SR-Bank/Sparebanken Vest Facility**	Term Loan/RCF, USD 190 million	Term SOFR + 2.1 %	June 2028	88 518
Nordea/Credit Agricole Facility*	Term Loan/RCF, USD 60 million	Term SOFR + 2.25 %	March 2027	32 294
Nordea/ Danske Bank Facility**/***	Term Loan, USD 80 million	Term SOFR + CAS + 2.1 %	December 2026	62 588
Capitalized loan fees				(3 367)
Mortgage debt 31 December 2023				**180 033**

** Potential margin adjustments up to +/- 10 bps once every year based on emission performance.*
*** Potential margin adjustments up to +/- 5 bps once every year based on emission performance.*
**** CAS=Credit Adjusted Spread. For three months Term SOFR, the CAS is approx 0.26%*

The Group has available and undrawn revolving credit facility capacity of USD 113 million and USD 8 million available capacity under a 364-days overdraft facility.

Bond loan	Face value (NOK '000)	Year of maturity	Carrying amount (USD '000)
KCC04	700 000	11/02/2025	76 390
Realized exchange rate gain at buyback			(7 208)
Buyback KCC04 (Q3 2023)	(508 500)		(54 978)
Exchange rate adjustment			4 566
Capitalized expenses			(86)
Bond discount			(82)
SUM KCC04	**191 500**		**18 602**
KCC05	500 000	05/09/2028	46 971
Exchange rate adjustments			2 035
Capitalized expenses			(711)
SUM KCC05	**500 000**		**48 295**
Total bond loan	**691 500**		**66 897**

Interest bearing liabilities (USD '000)	Fair value 31 Dec 2023	Carrying amount 31 Dec 2023	Carrying amount 31 Dec 2022
Mortgage debt	158 201	158 201	159 664
Capitalized loan fees	-	(3 367)	(3 131)
Bond loan	68 798	67 777	70 660
Bond discount	-	(82)	(158)
Capitalized expenses bond loan	-	(797)	(527)
Total non-current interest bearing liabilties	**226 999**	**221 732**	**226 509**
Mortgage debt, current	25 199	25 199	92 769
Overdraft facility (Secured)	-	-	233
Total interest bearing liabilities	**252 198**	**246 931**	**319 511**

Maturity profile of financial liabilities at 31 December 2023 is presented in note 16.

Covenants

As per 31 December 2023, the Group is in compliance with all financial covenants. On Group level the financial covenants are minimum equity (USD 125 million), minimum equity ratio (30%), and minimum cash and cash equivalents (USD 15 million). Financial covenants on KCC Bass AS level are minimum cash and cash equivalents (USD 750k). Financial covenants on KCC Shipowning AS level are minimum cash and cash equivalents (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. The loan agreements also include a dividend restriction of 50% of net profit (based on audited annual consolidated accounts) if the equity ratio is below 35%. In addition, all secured loans contain minimum value clauses related to the value of the relevant vessels compared to outstanding loan and a change of control clause. In case of KCC Shipowning AS and KCC Bass AS, a change of control event occurs if the two companies cease to be owned and/or controlled, directly or indirectly, 100% (in issued shares and voting rights) by KCC and in case of KCC, if it ceases to be owned, directly or indirectly, 33.1/3% (in issued shares and voting rights) by Trond Harald Klaveness and/or his direct lineal descendants or if any other person or group of persons acting in concert, other than Trond Harald Klaveness and/or his direct lineal descendants, directly or indirectly, gain control of 33.1/3% or more of the shares and/or voting rights in KCC.

Securities

As security for the mortgage debt, the subsidiary KCC Shipowning AS has provided a first priority pledge in all vessels built after 2002 (13 out of 16 vessels), security in earnings accounts, and assignment of the earnings and insurances of the vessels in favour of the creditors. As security for the overdraft facility, the subsidiary KCC Chartering AS has provided security in receivables, inventory and tangible assets.

Book value of collateral and mortgaged assets (USD '000)	2023	2022
Vessels (KCCS)	477 828	500 009
Bunkers inventory (KCCC)	10 738	17 254
Earning accounts (KCCS)	3 650	443
Accounts receivables (KCCC)	24 942	30 061
Total book value of collateral and mortgaged assets	**517 159**	**547 767**

Risk management activities

To reduce interest rate risk, the Group has entered into various interest rate derivatives, such as interest rate swaps, caps and cross-currency interest rate swap (CCIRS). Interest rate swaps and CCIRS qualify for hedge accounting. These fixed rate interest rate derivatives had a total notional amount of USD 86 million per end of 2023 and duration until 2025-2028. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive Income. The Group also held interest rate options during 2023 recognised at fair value through profit and loss. During Q2 2023 the Group terminated a total of USD 71 million of notional in fixed/float interest rate swaps and a portfolio of interest rates options with remaining duration below two years. The cash proceeds from the transactions were USD 4.0 million in Q2 2023, while the realized profit and loss from the termination of the swaps will be recognized over a period equivalent to the remaining duration.

The Group had during 2023 bunker fuel swaps and forward freight agreements (FFA) that qualify for hedge accounting. The Group uses bunker fuel swaps to hedge a portion of its floating bunkers cost to a fixed cost to reduce the Group's exposure to changes in bunker prices. Similarly, the Group can use FFAs to fix freight rates in future periods to reduce its exposure to the dry bulk or product tanker freight markets (via open capacity and index linked COA commitments).

13 Financial assets and financial liabilities

Financial assets (USD '000)	31 Dec 2023	31 Dec 2022
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	1 891	1 272
Interest rate swaps	5 762	11 110
Fuel hedge	87	-
Financial instruments at fair value through P&L		
Forward currency contract	285	-
Interest rate swaps	-	303
Financial assets	**8 024**	**12 685**
Current	1 699	4 923
Non-current	6 325	7 762

Financial liabilities (USD '000)	31 Dec 2023	31 Dec 2022
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	985	2 466
Forward freight agreements (FFA)	-	249
Financial liabilities	**985**	**2 715**
Current	328	249
Non-current	657	2 466

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

(USD '000)	Carrying amount 31 Dec 2023	Carrying amount 31 Dec 2022	Fair value 31 Dec 2023	Fair value 31 Dec 2022
Financial assets at fair value through OCI				
Interest rate swaps	5 762	11 110	5 762	11 110
Fuel hedge	87	-	87	-
Cross-currency interest rate swap	1 891	1 272	1 891	1 272
Financial assets at fair value through P&L				
Forward currency contract	285	-	285	-
Interest rate swaps	-	303	-	303
Total financial assets at fair value	**8 024**	**12 685**	**8 024**	**12 685**
Financial assets measured at amortised costs				
Accounts receivable	15 497	13 629	15 497	13 629
Receivables from related parties	110	202	110	202
Total financial assets measured at amortised costs	**15 607**	**13 831**	**15 607**	**13 831**
Cash and cash equivalents	**68 071**	**64 918**	**68 071**	**64 918**
Total financial assets	**91 703**	**91 434**	**91 703**	**91 434**
Total current	85 271	83 602	85 271	83 602
Total non-current	6 432	7 832	6 432	7 832

(USD '000)	Carrying amount 31 Dec 2023	Carrying amount 31 Dec 2022	Fair value 31 Dec 2023	Fair value 31 Dec 2022
Financial liabilities at fair value through OCI				
Cross-currency interest rate swap	985	2 466	985	2 466
Forward freight agreements	-	249	-	249
Total financial liabilities at fair value	**985**	**2 715**	**985**	**2 715**
Other financial liabilities at amortised cost				
Accounts payable	3 658	3 940	3 658	3 940
Interest bearing debt, non-current	154 835	156 534	158 201	159 664
Interest bearing debt, current	25 199	92 769	25 199	92 769
Bond loan	66 897	69 975	68 798	71 160
Overdraft facility	-	233	-	233
Current debt to related parties	1 067	693	1 067	693
Total financial liabilities at amortised cost	**251 656**	**324 144**	**256 923**	**328 460**
Total financial liabilities	**252 640**	**326 858**	**257 908**	**328 709**
Total current	29 924	97 884	29 924	97 884
Total non-current	222 716	228 975	227 984	230 825

Fair value hierarchy

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 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 is based on mark to market reports received from banks.
- Fair value of the bond loans is based on transaction price on Oslo Stock Exchange (bond loans listed).

Accounting policy

Derivative financial instruments and hedge accounting

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 2023 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 effects 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.

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 2023.

31 December 2023 Financial assets (USD '000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through P&L				
Forward currency contract	-	285	-	**285**
Financial assets at fair value through OCI				
Cross-currency interest rate swap	-	1 891	-	**1 891**
Fuel hedge	-	87	-	**87**
Interest rate swaps	-	5 762	-	**5 762**

31 December 2023 Financial liabilities (USD '000)	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt, non-current	-	-	158 201	**158 201**
Mortgage debt, current	-	-	25 199	**25 199**
Overdraft facility	-	-	-	**-**
Bond loan	-	68 798	-	**68 798**

31 December 2022 Financial assets (USD '000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through P&L				
Interest rate swaps	-	303	-	**303**

31 December 2022 Financial liabilities (USD '000)	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt, non-current	-	-	159 664	**159 664**
Mortgage debt, current	-	-	92 769	**92 769**
Overdraft facility	-	-	233	**233**
Bond loan	-	71 160	-	**71 160**
Financial liabilities at fair value through OCI				
Forward freight agreements	-	249	-	**249**

Accounting policy

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

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

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

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

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

13 Financial assets and financial liabilities

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

	Liabilities				Equity		Total
(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 2023	**-**	**-**	**93 002**	**226 509**	**159 820**	**137 725**	**560 204**
Repayment of mortgage debt	-	-	(80 533)	(83 500)	-	-	(164 033)
Proceeds from mortgage debt	-	-	-	95 000	-	-	95 000
Repayment bond loans	-	-	-	(55 478)	-	-	(55 478)
Proceeds from bond loan	-	-	-	47 112	-	-	47 112
Reclassification as short-term debt	-	-	12 963	(12 963)	-	-	-
Transaction costs on issuance of loans	-	-	-	(2 303)	-	-	(2 303)
Interest paid	(21 894)	-	-	-	-	-	(21 894)
Paid in registered capital increase	-	-	-	-	49 828	-	49 828
Transaction costs on capital increase	-	-	-	-	(1 093)	-	(1 093)
Repayment of overdraft facility	-	-	(233)	-	-	-	(233)
Dividends	-	-	-	-	-	(66 836)	(66 836)
Total Changes from financing cash flow	**(21 894)**	**-**	**(67 803)**	**(12 132)**	**48 735**	**(66 836)**	**(119 930)**
Liability- related							
Expensed capitalised borrowing costs	-	-	-	1 784	-	-	1 784
Non-cash movement	-	-	-	5 571	-	-	5 571
Total liability- related changes	**-**	**-**	**-**	**7 355**	**-**	**-**	**7 355**
Total equity-related other changes	**-**	**-**	**-**	**-**	**1 176**	**81 077**	**82 253**
Balance at 31 December 2023	**-**	**-**	**25 199**	**221 732**	**209 732**	**151 966**	**529 882**

	Liabilities				Equity		Total
(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 2022	**-**	**618**	**26 345**	**328 198**	**159 819**	**94 597**	**568 104**
Repayment of mortgage debt	-	-	-	(24 049)	-	-	(24 049)
Proceeds from mortgage debt	-	-	-	-	-	-	-
Reclassificationas short-term debt	-	-	68 833	(68 833)	-	-	-
Transaction costs on issuance of loans	-	-	-	(193)	-	-	(193)
Interest paid	(15 378)	-	-	-	-	-	(15 378)
Paid in registered capital increase	-	-	-	-	-	-	-
Transaction costs on capital increase	-	-	-	-	-	-	-
Repayment of overdraft facility	-	-	(2 176)	-	-	-	(2 176)
Repayment of lease	-	(382)	-	-	-	-	(382)
Interest paid lease	-	(66)	-	-	-	-	(66)
Dividends	-	-	-	-	-	(42 421)	(42 421)
Total Changes from financing cash flow	**(15 378)**	**(448)**	**66 657**	**(93 075)**	**-**	**(42 421)**	**(84 665)**
Liability- related							
Expensed capitalised borrowing costs	-	-	-	(1 352)	-	-	(1 352)
Gain related to modification of debt	-	-	-	1 175	-	-	1 175
Non-cash movement	-	(170)	-	(8 437)	-	-	(8 607)
Total liability- related changes	**-**	**(170)**	**-**	**(8 614)**	**-**	**-**	**(8 784)**
Total equity-related other changes	**-**	**-**	**-**	**-**	**1**	**85 549**	**85 550**
Balance at 31 December 2022	**-**	**-**	**93 002**	**226 509**	**159 820**	**137 725**	**560 204**

14 Trade receivables and other current assets

(USD '000)	31 Dec 2023	31 Dec 2022
Trade receivables from charterers	15 497	13 629
Contract assets	6 454	9 663
Prepaid expenses	2 749	3 437
Claims	70	165
Other short term receivables	173	3 167
Trade receivables and other current assets	**24 942**	**30 061**

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.

15 Cash and cash equivalents

The Group has bank deposits in the following currencies:

(USD '000)	31 Dec 2023	31 Dec 2022
Bank deposits, NOK	1 045	1 861
Bank deposits, USD	63 784	58 782
Bank deposits, EUR	2 662	3 730
Bank deposits, other	11	65
Cash	391	410
Payroll withholding tax account (restricted cash, NOK)	178	69
Total cash and cash equivalents	**68 071**	**64 918**

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

16 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. KCC targets to have an equity ratio above 40% and gearing ratio (NIBD/EBITDA adjusted for delivery/ sale of vessels) of below 5x with flexibility to stretch key ratios in some periods, for example in periods with growth. Furthermore, KCC shall have sufficient funds to withstand at least twelve months of weak markets/ earnings. The equity ratio as of 31 December 2023 was 58% (2022: 46%) and cash was USD 68.1 million (2022: USD 64.9 million). In addition, the Group had USD 121 million in undrawn revolving and overdraft credit facilities available as of 31 December 2023. 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 Group has the necessary financial strength to continue operating as a going concern.

The Group aims to spend free cash flows as follows:

• Maintain sufficient financial capacity. To accommodate the business strategy KCC must maintain sufficient financial capacity, prepare for future uncertainty and see through the cycle by having a solid capital structure and available liquidity position and active and strong risk management.

• Maintain an attractive dividend policy and when relevant share repurchase programs: KCC intends on a quarterly basis to distribute a minimum 80% of free cash flow generation to equity after debt service and maintenance capex to its shareholders, provided that all known, future capital and debt commitments are accounted for, and the Company's financial standing remains acceptable. The main way of distribution is through dividends, but the Board of Directors will evaluate if share buy-back programs should be part of the mix under the 80% policy.

The Group's capital structure consists of mortgage debt (note 13), bond loan (note 13), overdraft facility (note 13), cash and cash equivalents (note 15) and equity attributable to the shareholders.

Risk Management

The objective for the Company's risk management and internal control is to manage, rather than eliminate exposure to risks to successfully conduct the Group's business and to support the quality of its financial reporting. The Group is exposed to a variety of risks from its operations in shipping markets e.g., freight rate risk, bunker fuel price risk, as well as risks relating to foreign currency exchange rates, interest rate, counterparties (including credit), operations, technical, geopolitical, regulations and other risks. Financial risk management is handled by the Group as part of its operations. The management team identifies, evaluates and manages financial risks in close co-operation with all operating units. The Board of Directors reviews and approves policies for overall risk management, as well as for specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative and non-derivative financial instruments.

Risk management activities to reduce interest rate risk, freight rate risk and bunker fuel risk are further described in note 13.

The risk assessment is a multi-disciplinary process generally performed several times throuh the year. The value chain is assessed both upstream and downstream in addition to direct effects on KCC's business activities. All relevant risks are assessed based on defined impact and probability levels and focus for the next 12 months.

In addition to the specific assessment for the rolling 12 months period, an assessment of the long-term risk is included from time to time and at least on an annual basis.

The risk management process includes the following:

* The finance team (in close corporation with commercial, technical and management) assesses the overall risk development with focus on main risks and new risks discovered, including assessing impact and probability for each risk and define potential mitigating actions for the main risks

* The main risks are reported and discussed with the Audit Committee and the Board of Directors. A main risk is a risk already identified and well understood that could materially impact the financial results, reputation, business model, or strategy

* When the combination of probability and impact is higher than what is acceptable, mitigating actions are implemented either based on management decision or if relevant, after discussions with the Board of Directors.

Main risks

The following table presents the risks considered to be the main risks for KCC over the next 12 months and the main longer-term risks.

Risk	Description	Risk type
Main risks next 12 months		
Weak freight rates and changes in trade flows	The Group's primary revenue driver is freight rates. A decline in freight rates for dry bulk commodities, caustic soda, or clean petroleum products can significantly impact the financial performance of the Group. Strong product tanker outlook for 2024 implies substantial downside risk assuming reversion to mean. However, the impact of lower freight rates is somewhat mitigated by the historically low correlation between dry bulk and product tanker freight rates. The product tanker market exposure for the next 12 months is partly mitigated by a ~40% coverage through fixed-rate contracts for the CABU vessels for 2024, and one CLEANBU vessel employed on a time charter contract through 2024. The Group is dependent on certain trade flows to obtain efficient combination trading. Production issues at plants, mines, and refineries in export or import regions, difference in regional commodity prices (arbitrage opportunities) as well as regional and global wars, conflicts and sanctions may impact these trade flows. Unfavourable changes in trade flows and volumes may adversely affect the Group's earnings and financial position. This is exemplified by the ongoing conflict between Russia and Ukraine, which has significantly influenced trade flows for both dry bulk commodities and clean petroleum products. Faced with trade sanctions from Europe, Russia has adjusted fuel prices to remain competitive in alternative markets. Consequently, Russia emerged as the primary foreign supplier of diesel to Brazil this year, adversely affecting non-Russian importers like KCC. To mitigate this risk, the Group relies on maintaining flexibility in its trade flows. In this particular instance, the Group successfully redirected its trade flows from Brazil to the US Gulf. Moreover, an Australian alumina producer, has revealed its intention to cease production at one of its alumina refineries in Western Australia in 2024. This could potentially impact the Group's caustic soda freight volume to Australia and hence its ability to employ all CABU vessel capacity in efficient combination trades.	**Market**
CLEANBU commercial and technical performance	Introduction of new vessel concepts such as the CLEANBUs entails commercial and technical risks. Acceptance and/or exemptions are required in relation to the CLEANBU vessels from clients and terminals where policies may require clean petroleum products (CPP) as the last cargo or the three last cargoes to avoid cargo contamination or where policies may exclude the use of combination carriers like the CLEANBU vessels. Should the Group not obtain the relevant acceptances or exemptions from clients or terminals, this may have a material adverse effect on the operations of the CLEANBU vessels and consequently the Group's operations and results. Although CLEANBU commercial and technical performance was strong and continued to improve in 2023, among other things due to increased experience in transitioning between wet and dry cargoes and gaining wider acceptance from new customers and type of cargoes, it is important to acknowledge that commercial and technical risks still remain, which may adversely affect the Group's earnings and financial position.	**Operational & technical**
Vessel age	Due to stricter environmental regulations and customer requirements, older tonnage is in danger of both being rerated, has a higher risk of being detained and losing competitiveness to more modern tonnage. The consequences can be lower utilization due to more waiting time, risk of increased discounts and in worst case not being accepted by some customers. For the Group this can result in less flexibility and lower net revenue for the oldest vessels in the fleet. As per year-end 2023, the Group owns three CABU vessels above 20 year age. Two of the CABU vessels built 2001 were detained by Australian Maritime Safety Authority in Q4 2023 partly due to the age of the vessels. So far, the detentions have not had financial impact, but this might have consequences for the trading efficiency and customer acceptance going forward and hence have financial impact.	**Operational & technical**

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Risk	Description	Risk type
Main risks next 12 months		
Retrofit project	In 2023, the Group retrofitted one vessel an air lubrication system and a shaft generator to reduce fuel consumption. The second vessel will be completed during Q1 2024 and additional four vessels will go through the same procedure in 2024/2025. One of the main pillars of the Group's strategy is to improve the energy efficiency of the existing vessels, aligned with its emission reduction ambition. Success depends on the ability to deliver on retrofit/energy saving device projects at the budgeted cost and time, and that the retrofits deliver the estimated fuel/emission savings. The emission reduction from the initial retrofitted vessel align with expectations, although costs and time somewhat exceeded the budget. However, the experience gained has significantly reduced this risk for similar retrofit projects in the future. Moving forward, the Group faces due diligence risk as it considers new investments in energy efficiency. Being an early adopter of certain measures, there is a lack of large-scale testing prior to installation, introducing an element of risk.	**Operational & technical**
Increased geopolitical tension	The Group faces geopolitical risks arising from territorial and other disputes between countries, war, political instability, terrorism and pircay, as exemplified by the war in Ukraine, the war in Gaza and the Houthi attacks in the Red Sea as well as acts of piracy affecting ocean-going vessels in regions such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Such risks might impact KCC's costs e.g. crew cost and insurance premiums, as well as revenue both through indirect effects on the markets KCC operates in and directly through the ability to trade in certain areas or the Group's ability to employ the vessels in efficient combination trades which may have a material adverse effect on the Group's business, financial results and operations.	**Market**
CABU caustic soda contracts	The Group is, to a certain degree, dependent on a limited number of key customers and renewal of key/material contracts with these customers, particularly related to caustic soda transportation. Lack of renewal of such contracts and unfavorable changes in trade flows and volumes may adversely affect the Group's earnings and financial position.	**Market**

Risk	Description	Risk type
Main long-term risks		
Global economic growth and the impact on energy and commodity markets	The general development of the global economy, in particular the oil and commodities markets, may affect demand and the profitability of the Group companies. Furthermore, the demand for seaborne transportation is dependent on open economies and low barriers to trade. There has historically been a strong link between the development of the world economy and demand for dry bulk and oil commodities. A period of deterioration in the outlook for the world economy could reduce the overall demand for these commodities and for the Group's services. Trade restrictions such as tariffs and embargos can have a negative impact on the demand for seaborne transportation. This may lead to a downturn in the future prospects of the sectors the Group has invested in and, impact revenues negatively and may also make it more difficult to raise equity or loan capital.	**Market**
Impact of a low-carbon future with introduction of emission regulations, zero-emission vessels and lower demand for transportation of fossil fuels	A move to a low-carbon economy can potentially have material negative impact on the Group through several ways: • Emerging propulsion technologies and fuels might have a material negative impact on the competitiveness of the Group's existing fleet and might result in lower revenue and/or impairment of vessel values. The diversity in alternatives increases the risk of selecting the wrong technology. • New regulations can lead to material cost related to upgrades and retrofits to comply with regulations and / or material impairment of operational flexibility and / or operational limitations. Ultimately, it could lead to higher vessel recycling activity and/or stranded vessels for vessels that are not compliant. • Increased pressure on financial institutions to incentivize reduction in CO_2-emissions and new regulations, such as the EU taxonomy, can reduce and restrict access to capital or increase the cost of capital and breakeven levels. • The demand for transportation of fossil fuels might be materially negatively impacted and hence the demand for dry bulk and product tanker vessels. • New customer requirements can have a negative impact on the Group's competitive position. • New carbon price regulations, such as the EU ETS, may lead to increased operating cost.	**Climate-related**
Newbuilds	The CABU newbuilds are an upgraded design based on the existing CABU design for vessels built 2016-2017 and experience gained through the design and construction of the CLEANBU vessels built at the same shipyard in 2019-2021. There is technical, operational and commercial risk that the CABU newbuilds are not working as intended, negatively impacting the earnings capacity of the vessels and/or the vessel values.	**Operational and technical**

Risk types

The risks have been divided into the following categories

Operational and technical 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, class and port state regulations. Quality and safety audits are performed regularly and the crew and officers onboard are trained to ensure that regulatory requirements are met.

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

Market risk

The Group is exposed to the volatile nature of the dry bulk and product tanker shipping markets. Fluctuations in freight rates, vessel values, profitability, and cash flow, along with the risk of impairment of book values and breaches of financial covenants, are inherent in cyclical shipping markets. These fluctuations are influenced by imbalances in supply of vessel capacity and demand for global seaborn transportation of commodities. Since these dynamics are beyond the Group's control and unpredictable, their impact on business conditions is uncertain. A downturn in the relevant markets could significantly impact the Group's operations, financials, and cash flow. To manage these risks, the Group uses contracts of affreightment (COA) and forward freight agreements (FFA) to cover part of its future exposure.

The Group faces exposure to fluctuating bunker fuel prices, which are unpredictable and influenced by factors beyond the Group's control, including geopolitical events, oil and gas supply and demand, OPEC actions, regional unrest, production patterns, and environmental considerations. To manage this risk, the Group may hedge bunker fuel exposure or incorporate bunker adjustment factors (BAF) into contracts. However, quantifying future bunker fuel needs for specific voyages and obtaining hedges for non-standard volumes pose challenges, introducing risk. While the Group's size and diversification mitigate this risk overall, it may impact the Group's financials.

From 1 January 2024, shipping is part of EU's emission trading system (EU ETS). The Group must submit allowances for 100% of emissions for voyages within EU, and 50% of voyages in and out of EU (including ballast leg). The share of emissions that must be covered by allowances gradually increases each year from 40% of emissions reported for 2024, 70% of emissions reported for 2025 and from 2026 100% of reported emissions. The Group has a limited exposure as KCC's vessels have a limited part of their trading in and out of EU (2 voyages in 2023, estimated to be approximately USD 110k exposure if these two voyages were performed in 2024). The cost will in most cases be covered by the customer. The Group had no allowances per year-end 2023.

Foreign currency risk and interest rate risk

The Groups's functional currency is USD, including all significant entities in the Group. The Group's operating revenue, the majority of its interest-bearing debt and contractual obligations for vessels under construction are denominated in USD. The Group is exposed to foreign currency exchange risks for administrative and operational expenses incurred by offices, vessel operations or agents globally, predominantly in NOK, EUR and AUD. Further, the Group is required to pay dividends and tax payable in NOK. In connection with energy efficiency investments, where some of the payments are EUR, there may also be a currency risk. As such, KCC may from time to time, enter into derivative contracts in order to hedge currency risk related to its fixed expenses. As of year end, these risks are considered to be limited.

All interest-bearing debt is denominated in USD, except for bonds issued in NOK. Loans have various amortization profiles, but the majority are floating rate with CME Term SOFR as a benchmark. The Group's bond loans denominated in NOK are also swapped to USD with fixed interest rate or floating interest rate with CME Term SOFR as benchmark. The Group uses financial interest rate derivatives, mainly interest rate swaps, to reduce the unwanted variability of interest expenses due to changes in the benchmark. As of 31 December 2023, 29% of the floating interest mortage debt loans are hedged including undrawn RCF commitments and 42% on drawn amount per year-end 2023. The Group evaluates on an ongoing basis the need to adjust interest rate exposure and coverage rate.

The table below shows estimated changes in profit before tax for the Group from changes in interest rates in 2023 and 2022, with all other variables held constant. The changes are estimated based on a change in variable interest rate benchmarks given capital structure excluding drawdown on available RCF capacity net of hedges as of year-end 2023 and year-end 2022. In 2023 for every 100 bps increase in index interest rate, interest costs on debt increases by approx. USD 0.7 million.

Change in bps (effect in USD'000)	2023	2022
+100	-743	-1041
+50	-371	-521
-50	371	521
-100	743	1041

Counterparty/credit risk

Counterparty risk is managed by mandates approved by the Board of Directors and know your counterparty (KYC) procedures. The counterparty mandates set out the exposure (amount and duration) permitted for a given counterparty based on that counterparty's credit standing.

The Group is exposed to counterparty risk, inter alia and in particular under fixed-rate contract of affreightments (COAs). For various reasons, including (but not limited to) adverse market conditions, decrease in demand, increase in competition, cost saving schemes, force majeure situations, accidents and governmental or political restrictions, counterparties may seek to cancel or renegotiate COAs, or invoke suspension of periods, at their discretion. A downturn in the dry bulk and/or product tanker markets may result in an increase in occurrences of renegotiations, suspension or termination of contracts. The cash flows and financial conditions of the Group may be materially adversely affected should its counterparties terminate, renegotiate or suspend their obligations under such contract. Further, the ability of the Group's customers to meet their obligations towards the Group is affected by the customers' financial and liquidity position. If a key customer declares bankruptcy, insolvency or files for a similar protection under the customer's jurisdiction, it may have a material adverse effect on revenues, profitability,

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cash flows and the financial position of the Group. The key customers for the CABUs are mainly investment grade aluminium companies. The key target customers for the CLEANBUs are large oil and petrochemical companies and trading companies, many with investment grade ratings. If the Group has a legal right to insurance coverage, the Group will make provision for the deductible amount. As such, default by an insurance institution may have material financial consequences.

On 23 June 2023, the Company announced that a 100% owned subsidiary had concluded a shipbuilding contract for the construction of three third generation CABU vessels with Jiangsu New Yangzi Shipbuilding Co. Ltd. and Jiangsu Yangzi Xinfu Shipbuilding Co. The Group is exposed to counterparty risk under the shipbuilding contract, mitigated to a large extent through a refund guarantee from a Tier I Chinese bank.

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 agencies. However, there is concentration risk as deposits are held with only a few institutions.

Total unrisked credit exposure at 31 December 2023 amounts to USD 93.8 million, 2022: USD 95.0 million (book value of trade receivables, other current assets 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. Volatility in freight rates, daily settlement of cleared derivatives and the potential need for posting collateral related to certain OTC derivatives are significant sources to liquidity risk. To address these risks, the Group maintains sufficient cash for its daily operations in short-term cash deposits with banks and has access to the unutilised portions of long-term revolving credit facilities and a short-term overdraft facility. Additionally, the Group monitors and regularly forecasts the Group's liquidity reserve on the basis of expected cash flows, including stress tests in case of weaker markets.

The Group has capital commitments relating to borrowings and investments. 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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt includes interest payments and is net of interest rate and cross currency derivative hedges.

Maturity profile financial liabilities 31 Dec 2023	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	36 246	100 892	74 239	-	211 377
Bond loan (incl interest)	5 266	25 861	54 015	-	85 142
Trade and other payables	17 052	-	-	-	17 052
Current debt to related parties	1 067	-	-	-	1 067
	59 631	**126 754**	**128 253**	**-**	**314 638**

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

Maturity profile financial liabilities 31 Dec 2022	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	105 989	87 133	88 196	-	281 317
Bond loan (incl interest)	4 757	81 867	-	-	86 624
Other interest bearing liabilities	233	-	-	-	233
Trade and other payables	22 250	-	-	-	22 250
Current debt to related parties	693	-	-	-	693
	133 923	**169 000**	**88 196**	**-**	**391 118**

Climate-related risks

Climate-related risks include both transition risks and physical risks with focus on transition risks as this is considered to have a larger impact and probability for KCC. Transition risks mainly relate to effect of reduced demand for the Group's services and the risk of stranded assets and new regulations as the global fleet moves to low-carbon fuel. The Group assesses transition risk in strategic planning, fleet development and capital expenditure plans for next-generation and existing fleet transition planning. Physical risks from climate events influence the Group's voyage planning and operation strategies. For 2023 (2022), total fossil fuel shipments accounted for 35% (25%) of the Group's transported volumes in metric tons.

Compliance risk

The legal and regulatory requirements of the Group are increasingly challenging and complex. The Group has established systems and processes to ensure that all relevant laws and regulations are met, such as tax-laws, anti-corruption laws, securities laws, anti-trust laws, laws related to human rights and working conditions and international sanctions. Three of the Group's subsidiaries are subject to the Norwegian tonnage tax regime. Non-compliance with the qualifying rules of this regime will have material negative impact on the Group's financial position.

17 Long-term incentive plan

In the option program granted in December 2019, the CEO and CFO were granted 38,580 and 26,700 share options respectively, which were fully vested in December 2022. During 2023, both the CEO and CFO exercised in total 65,280 options in the Company (see note 7 for more information).

In April 2023, the Board proposed a new Long Term Incentive Program (LTIP) that was approved by the General Meeting. The new LTIP program consists of two elements:

1) A share purchase program where Senior Executives are offered to purchase shares at a discount of 20 % to the market price, and with the possibility for optional loan financing of up to 50 % of the purchase price. The share purchase program includes a three-year lock-up period. If a Senior Executive resigns within the lock-up period, the Company will have an option to purchase the shares at a price equal to the lower of the purchase price (after discount) and the market value.

2) A share option program with a strike price equal to market price at the time of grant. Participation in the share option program is subject to purchase of shares under the share purchase program. The share options will vest 1/3 each year. Vested options may be excercised at any time after three years from the grant date but no later than five years after the date of grant. Options that vest in 2024 may be exercised one year thereafter, in 2025. The share options have no voting or other shareholder rights.

In June 2023, Senior Executives of the Company purchased in total 13 500 shares in KCC as part of the Company's long term incentive program (of which the CEO, Engebret Dahm purchased 10 000 of the total shares). The shares were acquired at a price of NOK 55.60 per share.

In connection with the share purchase in June 2023, and in accordance with the terms of the long term incentive program, Senior Executives were awarded 40 500 share options in KCC (of which the CEO, Engebret Dahm was awarded 30 000 share options) at a strike price of NOK 69.50, adjusted for any distribution of dividends made before the relevant options are exercised.

The fair value of the share options granted in 2023 were calculated based on the Black-Scholes-Merton method at the time of grant. The significant assumptions used to estimate the fair value of the share options are set out below:

	Model inputs
Dividend yield (%)	-
Expected volatility (%)*	37%
Risk-free interest rate (%)**	3.69 %
Expected life of share options (year)	5
Weighted average share price (NOK)	66.72

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.

***Average five-year Norwegian Government bond risk-free yield-to-maturity rate of 3.69 % as of 2023 was used as an estimate for the risk-free rate to match the expected five year term of the share options.*

Number of shares	Average exercise price	2023	2022
Outstanding at 1 January		65 280	65 280
Granted during the year	NOK 69.5	40 500	-
Exercised during the year	NOK 46.14	(65 280)	-
Forfeited during the year		-	-
Expired during the year		-	-
Outstanding at 31 December		**40 500**	**65 280**

The fair value of the share options granted is calculated to USD 119k, i.e. USD 1.19 per share option. The cost incurred of the share options programs in 2023 is USD 16k (2022: USD 35k).

Accounting policy

Equity-settled share-based payments are treated as an increase in equity at fair value. The purchase price is recognized as a capital increase immediately, and the discount is periodized as a wage/equity increase over the vesting period.

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.

18 Share capital, shareholders, dividends and reserves

Dividends of in total USD 66.8 million were paid to the shareholders in 2023 (in average USD 1.2 per share).

A capital increase of USD 49.8 million was completed on 30 May 2023 through a private placement to primarly fund three CABU newbuildings. The Board approved the allocation of 7 857 143 shares in the private placement at a price of NOK 70.00 per share.

In an Extraordinary General Meeting held on 24 September 2018, the Company issued 229,088 non-transferable warrants, each of which entitled the holder to subscribe one new share in the Company at a subscription price of NOK 44.38 per share. All warrants were excercised in 2023. The exercise price and the threshold trading prices which triggered the right to exercise warrants were adjusted for paid dividends or other distributions to the shareholders. The excercise of warrants increased the Company's equity by USD 0.5 million. As of 31 December 2023, there are no outstanding warrants.

Share capital

Date	Shares	Notional (NOK)	Share capital (NOK)
Shares and share capital at 31 December 2021	**52 372 000**		**52 372 000**
Shares and share capital at 31 December 2022	**52 372 000**		**52 372 000**
Shares issued 30 May 2023	7 857 143	1	7 857 143
Shares issued 11 August 2023 (warrants)	14 020	1	14 020
Shares issued 6 September 2023 (warrants)	215 068	1	215 068
Shares and share capital at 31 December 2023	**60 458 231**		**60 458 231**

All shares have equal voting rights and equal rights to dividends. The shares are listed on Oslo Stock Exchange. KCC owns a total of 26,578 treasury shares, corresponding to 0.044% of the total number of issued shares.

Basic Earnings Per Share (EPS) in income statment are calculated based on the weighted average number of ordinary shares for the period, whereas diluted Earnings Per Share (EPS) is based on weighted average number of ordinary share including dilutive shares if all convertible shares were excercised.

	2023	2022
Weighted average number of ordinary shares for basic EPS	**56 996 430**	**52 331 922**
Effects of dilution from:		
Share options	43 717	65 280
Warrants	155 255	229 088
Weighted average number of ordinary shares for the effect of dilution	**57 195 402**	**52 626 290**

Largest shareholders at 31 December 2023	Ownership Number of shares	Ownership In %
Rederiaksjeselskapet Torvald Klaveness	32 537 608	53,8 %
EGD Shipping Invest AS	5 860 819	9,7 %
Goldman Sachs & Co. LLC (nominee)	2 386 560	4,0 %
Hundred Roses Corporation	2 364 698	3,9 %
J.P. Morgan SE (nominee)	1 426 693	2,4 %
Verdipapirfondet Nordea Norge Verd	980 137	1,6 %
SEB CMU/SECFIN Pooled Account	616 388	1,0 %
Verdipapirfondet Nordea Avkastning	540 766	0,9 %
Verdipapirfondet KLP Aksjenorge	537 500	0,9 %
Surfside Holding AS	500 000	0,8 %
Hausta Investor AS	500 000	0,8 %
Other	12 207 062	20,2 %
Total	**60 458 231**	**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	30 532 (held through E Dahm Invest AS)
Liv Hege Dyrnes	Chief Financial Officer	6 500
Magne Øvreås	Board member	Indirectly owns 9.9 % of EGD Shipping Invest AS which holds 5 860 819 shares
Gøran Andreassen	Board member	4 300
Brita Eilertsen	Board member	2 000
Ernst Meyer	Board member	5 000

19 Transactions with related parties

The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 53.81 % of the shares in Klaveness Combination Carriers ASA. Companies listed below are all part of the Torvald Klaveness Group.

Net revenue from operation of vessels

Type of service/transaction (USD '000)	Provider*	Receiver*	Price method	2023	2022
Pool Participation	BAU	KCCC	Standard pool agreement**	-	49
Dry bulk chartering	KDB	KCCC	1.25% of transaction value***	-	(472)
Total net revenue from related parties				**-**	**(423)**

Relets of dry bulk cargoes between KCC Chartering AS and AS Klaveness Chartering (related party in the Torvald Klaveness Group) are made at spot pricing without any compensation either way.

*** Hire from BAU to KCCC less pool managememnt fee. MV Bangor entered the pool in August 2021 and exited the pool agreement on 3 January 2022.*
**** Fixture fee applicable for fixtures in 1H 2022. From 1 July 2022 the service fee is based on time spent (cost + 7.5%) and included in "Total group commercial and administrative services".*

Group commercial and administrative services

Type of service/transaction (USD '000)	Provider*	Receiver*	Price method	2023	2022
Business administration services	KAS	KCC ASA, on behalf of KCC companies	Cost + 5%/Per employee	1 944	1 641
Business administration services	KA Ltd	KCCA Ltd	Cost + 5%	139	160
Business administration services	KD	KCCC	Priced as other CargoValue services	5	-
Commercial services**	KAD	KCCC	Cost + 7.5%	381	-
Commercial services***	KDB	KCCC	Cost + 7.5%	293	279
Commercial services	KSM	KCCC	Cost + 7.5%	990	825
Board member fee	KD	KCC ASA	Fixed fee as per annual general meeting	(24)	-
Subscription Cargo Value	CIA	KCC	Fixed fee	-	60
Project management	KSM	KCCS, KCC	Cost + 7.5%	1 674	1 237
Total group commercial and administrative services				**5 403**	**4 202**

***Two employees were transferred from Singapore to Dubai from 1 August 2023. KCC does not have set-up in Dubai and they have hence been transferred from a KCC company to a related company in the Torvald Klaveness Group and are hired back by a KCC company at cost + 7.5%. The amount includes salary and employee bonus for 2023.*
****Some bunkers purchases are done through AS Klaveness Chartering (KC), which holds the bunker contracts with the suppliers in some regions. No profit margin is added to the transactions, but a service fee is charged based on time spent (cost + 7.5 %) reflecting the time spent by the bunkering team and charged as part of the Commercial Services from KDB.*

19 Transactions with related parties

Other services/transactions

Type of service/transaction (USD '000)	Provider*	Receiver*	Price method	2023	2022
Technical management fee (opex)	KSM	KCCS	Fixed fee per vessel	4 117	3 819
Crewing and IT fee (opex)	KSM	KCCS	Fixed fee per vessel	1 496	1 565
Project management fee (newbuilding)	KSM	KCCS	Cost + 7.5%	386	-
Board member fee (administrative expenses)	KAS	KCC	Fixed fee as per annual general meeting	80	85
Total other services/ transactions				**6 079**	**5 468**

Short term assets and debt related parties (USD '000)	31 Dec 2022	31 Dec 2021
Klaveness Ship Management AS	82	137
Klaveness AS	24	-
Klaveness Drybulk AS	4	65
Short-term receivables from related parties	**110**	**202**
AS Klaveness Chartering (bunker derivatives)	-	250
Short- term financial liabilities	**-**	**250**
Klaveness AS	35	197
Klaveness Ship Management AS	549	273
Klaveness Drybulk AS	1	-
Klaveness Asia -Dubai	208	-
Klaveness Digital AS	15	-
AS Klaveness Chartering	228	201
Klaveness Asia Pte.Ltd	32	21
Short-term debt to related parties	**1 067**	**693**

Accounting policy

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

*Klaveness AS (KAS), Klaveness Ship Management AS (KSM), Klaveness Asia Pte.Ltd (KA Ltd), Klaveness Asia Pte. Ltd- Dubai Branch (KAD), Klaveness Combination Carrier ASA (KCC), KCC Shipowning AS (KCCS), KCC Chartering AS (KCCC), Klaveness Dry Bulk AS (KDB), Klaveness Combination Carriers Asia Pte.Ltd (KCCA Ltd), Baumarine AS (BAU),and Klaveness Digital AS (KD).

20 List of subsidiaries

The merger of Klaveness Combination Carriers ASA and the 100% owned subsidiary, KCC KBA AS, was registered and finalized on 4 August 2022. The subsidiary had no activities, and the merger has no effect on the consolidated figures.

Klaveness Combination Carriers ASA purchased KCC Bass AS in February 2023. Purchase price of NOK 80k represented cash in the company with no other business activities at the purchase date.

Klaveness Combination Carriers ASA Group comprises of several subsidiaries. Below is a list of subsidiaries within the Group.

Company name	Location	Ownership interest per 31 Dec 2023	Ownership interest per 31 Dec 2022
KCC Shipowning AS*	Oslo, Norway	100%	100%
KCC Bass AS	Oslo, Norway	100%	0%
KCC Chartering AS	Oslo, Norway	100%	100%
Klaveness Combination Carriers Asia Pte. Ltd	Singapore	100%	100%

** Direct and indirect ownership*

21 Taxes

Tonnage tax

The vessel owning companies (KCC Shipowning AS, KCC Bass AS) and KCC Chartering AS are subject to taxation under the Norwegian tonnage tax regime. For the financial year 2023 KCC Shipowning AS, KCC Bass AS and KCC Chartering AS have payable tonnage taxes of USD 183k.

Ordinary taxation

The Parent Company (Klaveness Combination Carriers ASA) is under ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2023 (2022: 22 %). The subsidiary Klaveness Combination Carriers Asia Pte. Ltd is subject to ordinary taxation in Singapore. The ordinary tax rate in Singapore is 17 % for 2023. For the financial year 2023 Klaveness Combination Carriers Asia Pte Ltd has a tax income of USD 0.2k.

Deferred tax assets

Deferred tax assets are only recognised to the extent that future utilisation within the Group can be justified as per 31 December 2023. As a consequence, a tax position of USD 12.0 million per 31 December 2023 has not been recognised in the balance sheet. The tax position is mainly due to accumulated financial costs deductible under the tonnage tax regime as well as a tax loss on the internal vessel sales which will be deductible at a rate of 20 % annually going forward.

Income taxes for the year (USD '000)	31 Dec 2023	31 Dec 2022
Income taxes payable	-	-
Change in deferred tax	-	-
Total tax expense / income (-) reported in the income statement	**-**	**-**
Tax on net (gain)/loss on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

(USD '000) Tax payable	Income	31 Dec 2023 Tax effect	Income	31 Dec 2022 Tax effect
Profit / loss (-) before taxes, incl OCI	81 102	17 842	85 515	18 813
Income from shipping activity, tonnage tax system	(116 808)	(25 698)	(62 064)	(13 654)
Change in temporary differences	(529)	(116)	(9 221)	(2 029)
Change in tax losses carried forward	13 769	3 029	6 905	1 519
Exchange rate differences / Other permanent differences	22 465	4 942	(21 136)	(4 650)
Tax payable in the balance sheet	-	-	-	-
Effective tax rate		0%		0%
Tonnage tax (included in operating profit)		183		188
Total tax payable in the balance sheet		**183**		**188**

(USD '000) Temporary differences - ordinary taxation	Temporary difference	31 Dec 2023 Tax effect	Temporary difference	31 Dec 2022 Tax effect
Temporary differences	(5 149)	(1 133)	(5 678)	(1 249)
Tax losses carried forward	(49 730)	(10 941)	(35 961)	(7 911)
Deferred tax asset not recognised in the balance sheet	54 880	12 074	41 639	9 161
Net temporary differences - deferred tax liability/asset (-)	-	-	-	-
Deferred tax asset in balance sheet		-		-
Deferred tax liability in balance sheet		-		-

Accounting policy

Under the tonnage tax regime, profit from operations is tax exempt. Companies within the tonnage tax system pay a tonnage tax based on the deadweight tonnage of the vessels. The tonnage tax is recognised as an operating expense in the profit & loss. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses (based on financial assets in percent of total assets).

For companies subject to ordinary taxation, tax expense comprises tax payable and changes in deferred tax assets. Tax payable corresponds to 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 future utilisation is probable. Deferred tax liabilities/deferred tax assets within the same tax system that may 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.

Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. Within the Group, the subsidiaries KCC Shipowning AS, KSS Bass AS and KCC Chartering AS are subject to tonnage taxation. Companies within the tonnage tax system pay a tonnage fee based on the deadweight tonnage 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.

22 Events after the balance sheet date

On 15 February 2024, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 0.35 per share for fourth quarter 2023, in total approximately USD 21.2 million.

Based on the escalating situation in the Red Sea area, KCC has decided to not trade any of its vessels through the Red Sea until the situation improves. The CABUs do not trade in the area, while the CLEANBUs from time-to-time transit through the Red Sea. The decision is expected to have limited impact on KCC business activities and financial performance.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2023.

Financial Statements of the Parent Company

Statutory Financial Statements

Klaveness Combination Carriers ASA – Parent Company

Income Statement

Year ended 31 December

(USD '000)	Notes	2023	Restated* 2022
Service and management fee revenue	5	1 133	865
Other revenue	5	24	6
Total revenue		**1 157**	**871**
Group commercial and administrative services	5	(1 638)	(1 481)
Salaries and social expenses	6	(2 580)	(1 987)
Other operating and administrative expenses	2	(1 619)	(980)
Operating profit (EBITDA)		**(4 680)**	**(3 576)**
Operating profit after depreciation (EBIT)		**(4 680)**	**(3 576)**
Finance income	9	67 363	40 418
Finance costs	9	(7 890)	(5 615)
Profit before tax		**54 793**	**31 227**
Income tax expenses	7	-	-
Profit after tax		**54 793**	**31 227**

Statement of Comprehensive Income

Year ended 31 December

(USD '000)	Notes	2023	Restated* 2022
Profit after tax		**54 793**	**31 227**
Other comprehensive income to be reclassified to P&L			
Net movement fair value on interest rate swaps		2 100	(3 707)
Reclassification to profit and loss (CCIRS)		(6 044)	8 559
Other comprehensive income/(loss) for the period, net of tax		**(3 944)**	**4 852**
Total comprehensive income/(loss) for the period, net of tax		**50 849**	**36 078**
Attributable to:			
Equity holders of the Parent Company		50 849	36 078

**2022 is restated due to a correction of received dividend from subsidiary (note 11).*

Statement of Financial Position

Year ended 31 December

Assets (USD '000)	Notes	2023	Restated* 2022
Non-current assets			
Investment in subsidiaries	3	287 357	247 850
Long-term loan to related parties	5	1 500	11 820
Long-term financial assets	8	1 562	528
Other long-term receivables	5	107	70
Total non-current assets		**290 527**	**260 268**
Current assets			
Inventories		99	99
Short-term financial assets		613	744
Trade receivables and other current assets		140	258
Cash and cash equivalents	4	19 527	10 044
Short-term receivables from related parties	5/11	96	10 292
Total current assets		**20 475**	**21 437**
Total assets		**311 002**	**281 705**

Year ended 31 December

Equity and liabilities (USD '000)	Notes	2023	Restated* 2022
Equity			
Share capital	Group 18	6 976	6 234
Share premium		292 174	243 054
Other reserves		627	4 521
Retained earnings		(79 949)	(62 471)
Equity attributable to equity holders of the parent		**219 829**	**191 336**
Non-current liabilities			
Bond loan	8	66 897	69 975
Financial liabilities	8	985	2 466
Total non-current liabilities		**67 882**	**72 441**
Current liabilities			
Short-term debt to related parties	5	131	210
Trade and other payables		23 160	17 717
Total current liabilities		**23 291**	**17 927**
Total equity and liabilities		**311 002**	**281 705**

**2022 is restated due to a correction of received dividend from subsidiary (note 11).*

Oslo, 31 December 2023

Oslo, 07 March 2024

Ernst Meyer
Chair of the Board

Magne Øvreås
Board member

Brita Eilertsen
Board member

Winifred Patricia Johansen
Board member

Gøran Andreassen
Board member

Engebret Dahm
CEO

Klaveness Combination Carriers ASA – Parent Company

Statement of Changes in Equity

2023 (USD '000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Retained earnings	Total equity
Equity at 1 January 2023	**6 234**	**243 054**	**(147)**	**4 668**	**(62 471)**	**191 337**
Profit (loss) for the period					54 793	54 793
Other comprehensive income for the period				(3 944)		(3 944)
Private placement May 2023 (note 18)	721	48 619				49 340
Warrants (note 18)	21	480				501
Employee share purchase (note 7)		21	50			71
Dividends					(72 268)	(72 268)
Share option program (Group note 17)					(2)	(2)
Equity at 31 December 2023	**6 976**	**292 174**	**(97)**	**724**	**(79 949)**	**219 829**

2022* (USD '000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Retained earnings	Total equity
Equity at 1 January 2022	**6 234**	**243 054**	**(147)**	**(184)**	**(40 795)**	**208 162**
Profit (loss) for the period					31 227	31 227
Other comprehensive income for the period				4 852		4 852
Dividends					(52 933)	(52 933)
Share option program (Group note 17)					30	30
Equity at 31 December 2022	**6 234**	**243 054**	**(147)**	**4 668**	**(62 471)**	**191 337**

**2022 is restated due to a correction of received dividend from subsidiary (note 11).*

Cash Flow Statement

Year ended 31 December

(USD '000)	Notes	2023	Restated* 2022
Profit before tax		54 793	31 227
Interest income		(4 998)	(1 618)
Interest expenses		7 086	5 102
Dividends from subsidiaries	9	(62 080)	(29 100)
Amortization of transaction cost on issuance on loans		490	253
Gain (-) /loss on foreign exchange		314	211
Financial derivatives unrealised loss/gain (-)		(285)	-
Change in current assets		118	(113)
Change in current liabilities		(68)	530
Change in other working capital		10 196	(549)
Interest received		2 631	1 525
A: Net cash flow from operating activities		**8 197**	**7 468**
Investments in subsidiaries		(39 708)	-
Repayment of redeemable preference shares		200	-
Received dividends from subsidiaries		62 080	19 400
Repayment of loan from related parties	5	10 320	9 345
B: Net cash flow from investment activities		**32 892**	**28 745**
Interest paid		(4 954)	(4 968)
Paid in registered capital increase	Group 18	49 828	-
Transaction costs on capital increase	Group 18	(1 093)	-
Repurchase bond incl premium (KCC04)		(55 478)	-
Proceeds from new bond issue (KCC05)		47 112	-
Transaction costs on issuance of debt		(714)	-
Paid in long term incentive plan		27	-
Pain in from exercise of warrants		501	-
Dividends	Group 18	(66 836)	(42 421)
C: Net cash flow from financing activities		**(31 607)**	**(47 390)**
Net change in liquidity in the period (A + B + C)		**9 482**	**(11 177)**
Cash and cash equivalents at beginning of period		10 044	21 221
Cash and cash equivalents at end of period	4	19 527	10 044
Net change in cash and cash equivalents in the period		**9 483**	**(11 177)**

**2022 is restated due to a correction of received dividend from subsidiary (note 11).*

Notes

01 Accounting policies

Basis of preparation

Klaveness Combination Carriers ASA (referred to as the "Company/the Parent Company/KCC") 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 March 23, 2018. The share is listed on Oslo Stock Exchange with ticker KCC.

The financial statements as per 31 December 2023 of Klaveness Combination Carriers ASA have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 7 February 2022.

Accounting principles for the consolidated statement of Klaveaness Combination Carriers ASA (the "Group") also apply to the Parent Company except treatment of the dividends – see accounting policies related to dividend income presented below.

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

Dividend income/group contribution

Dividend income and/or Group contribution from subsidiaries are recognized as finance income in the year they have been declared for by the subsidiaries. This includes dividend declared in the period subsequent to year end but prior to approval of financial statements for the subsidiary.

Dividend distribution/group contribution

Distribution of dividends is approved by the Board of Directors based on authorization from the Annual General Meeting. Dividend distribution to the Company's shareholders is recognized as a liability at the reporting date of the financial year that the proposal of dividend relates to.

02 Operating expenses

(USD '000)	2023	2022
Statutory audit	92	97
Other assurance services from auditor	37	33
Total	**130**	**130**

Auditor's fee is stated excluding VAT.

03 Investment in subsidiaries

(USD '000)	Location	Voting share/ ownership	31 Dec 2023	31 Dec 2022
KCC Chartering AS	Oslo, Norway	100%	7 456	7 456
KCC Shipowning AS	Oslo, Norway	97%	240 093	240 093
KCC Bass AS	Oslo, Norway	100%	39 708	-
KCC Asia Pte. Ltd	Singapore	100%	100	300
Investment in subsidiaries			**287 357**	**247 850**

Shares in subsidiaries in Parent Company accounts are recorded at cost.

In February 2023 Klaveness Combination Carriers ASA purchased a 100% owned company, KCC Bass AS at purchase price of USD 7k. To finance the purchase of MV Bass a capital increase of USD 39.7 million in KCC Bass AS was completed on 23 March 2023.

The Company owns KCC Shipowning AS 100 % indirectly through KCC Chartering AS. Klaveness Combination Carriers Asia Pte. Ltd (Singapore) was incorporated on 22 March 2021 with a capital injection of USD 300k from Klaveness Combination Carriers ASA (100% ownership, 300 000 shares). In August 2023, KCC fully redeemed their preferred stock of 200k in KCC Asia Pte.Ltd.

04 Cash and cash equivalents

The Company has bank deposits in the following currencies:

(USD '000)	31 Dec 2023	31 Dec 2022
Bank deposits, USD	16 924	5 867
Bank deposits, NOK	487	1 443
Bank deposits, EUR	1 938	2 665
Payroll withholding tax account (restricted cash, NOK)	178	69
Total cash and cash equivalents	**19 527**	**10 044**

05 Transactions with related parties

Service agreements

The Parent Company has eight employees as per year end 2023. The Parent Company delivers administrative and business management services and commercial management services to its subsidiaries. The level of fees is based on cost + a margin in accordance with the arm's length principle and OECD guidelines.

Type of service/transaction	Receiver*	Price method	2023	2022
Business administration services	KCCS	Cost + 5 %	611	467
Business administration services	KCCC	Cost + 5 %	483	392
Business administration services	KCCB	Cost + 5 %	38	-
Commercial management services	KCCC	Cost + 7.5 %	-	6
Board member fee	KD	Fixed fee	24	6
Total revenue			**1 157**	**871**

Klaveness AS and Klaveness Ship Management AS deliver administrative, commercial and project management services such as accounting, legal, IT, project and office services to the Parent Company. The level of fees is based on cost + a margin in accordance with the arm's length principle and OECD guidelines.

Type of service/transaction	Provider*	Price method	2023	2022
Business administration services	KAS	Cost + 5% or overhead per employee	(763)	(794)
Business administration services	KSM	Cost + 5% or overhead per employee	-	(60)
Project management	KSM	Cost + 7.5%	(780)	(482)
Commercial services	KDB	Cost + 7.5%	(16)	-
Subscription Cargo Value (linked to COA with external party)	CIA	Fixed fee	-	(60)
Board member fee	KAS	Fixed fee as per annual general meeting	(79)	(85)
Group administrative services			**(1 638)**	**(1 481)**

Type of service/transaction	Provider*	Price method	2023	2022
Interest income loan to related party	KCCS	2.2 %	500	64
Interest income loan to related party	KCCC	3.0 %	124	477
Guarantee commission	KCCS	0.2 %	400	536
Guarantee commission	KCCB	0.2 %	35	-
Interest cost loan agreement	KCCS	Libor 3M + 2.2 %	-	(49)
Interest income and expenses to related party (note 9)			**1 058**	**1 028**

Current assets related parties

(USD '000)	Counterparty *	31 Dec 2023	31 Dec 2022
Short- term receivables from related parties	KCCS	-	555
Short- term receivables from related parties	KCCC	34	37
Short- term receivables from related parties	KCCB	38	-
Short- term receivables from related parties	KAS	24	-
Long- term assets related parties		**96**	**592**

05 Transactions with related parties

(USD '000)	Counterparty *	31 Dec 2023	31 Dec 2022
Long-term loan to related parties	KCCC	1 500	11 820
Other long-term receivables (loan to employees)	Employees	107	70
Long- term assets related parties		**1 607**	**11 890**

KCC, as lender, has provided a loan to KCC Chartering AS (USD 1.5 million). The loan falls due at the end of 2025.

Loans to employees (and affiliates to employees) have been made in connection with employees' purchase of shares in the Company. Interest on the loan is set to the Norwegian Tax Administration's normal interest rate for the taxation of low-cost loans.

(USD '000)	Counterparty *	31 Dec 2023	31 Dec 2022
Short-term debt to related parties	KAS	-	83
Short-term debt to related parties	KCCC	-	13
Short-term debt to related parties	KCCS	16	-
Short-term debt to related parties	KSM	114	98
Short-term debt to related parties	KDB	1	16
Current debt to related parties		**131**	**210**

06 Salary

(USD '000)	2023	2022
Salaries and other remuneration	(2 465)	(1 892)
Pension benefit	(96)	(79)
Other social costs	(5)	(6)
Other personel related expenses	(13)	(9)
Salaries and social expense	**(2 580)**	**(1 987)**

The Company has eight employees as per year end 2023. For more information related to salary expenses - see Group note 7.

*Klaveness AS (KAS), Klaveness Ship Management AS (KSM), KCC Shipowning AS (KCCS), KCC Chartering AS (KCCC) and Klaveness Dry Bulk AS (KDB)

07 Tax

The Company is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2023 (22 % in 2022). The Company has a positive result before tax, however a dividend of USD 62.1 million is recognised as financial income, but tax exempt under the tax exemption method, and therefore not part of taxable income. Deferred tax assets are only recognised to the extent that future utilization can be justified which is not probable as per 31 December 2023. Tax expense for 2023 is zero.

Income taxes for the year (USD '000	2023	2022
Tax payable	-	-
Effect of the Group contribution	-	-
Total tax expense / income (-) reported in the income statement	**-**	**-**
Tax on net (gain)/loss on cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

Tax payable (USD '000)	Income	2023 Tax effect	Income	2022 Tax effect
Profit / loss (-) before taxes, incl OCI	50 849	11 187	36 078	5 803
Non-deductible expenses	82	18	78	17
Transaction cost capital increase charged over equity	1 122	247	-	-
Dividends/group contribution from investments covered by the tax exemption model	(65 019)	(14 304)	(39 783)	(6 543)
Unrealized gain/loss on financial instruments valued at fair value	(285)	(63)	-	-
Change in tax losses carried forward	19 288	4 243	6 511	1 432
Total tax basis and tax payable before group contribution	**6 036**	**1 328**	**2 885**	**710**
Group contribution from KCC KBA AS	-	-	-	-
Exchange rate differences	(6 036)	(1 328)	(2 885)	(635)
Tax payable in the balance sheet	**-**	**-**	**-**	**-**
Effective tax rate	-	0%	-	0%

Temporary differences - ordinary taxation (USD '000)	Temporary differenc	2023 Tax effect	Temporary differenc	2022 Tax effect
Temporary differences	-	-	-	-
Intercepted interest carry forward	(1 151)	(253)	(1 185)	(261)
Tax losses carried forward	(37 769)	(8 309)	(19 033)	(4 187)
Gains and losses account	(8 947)	(1 968)	(11 518)	(2 534)
Unrealised gain/loss financial instruments	906	199	(1 194)	(263)
Deferred tax asset not recognised in the balance sheet	46 961	10 331	32 930	7 245
Net temporary differences - deferred tax liability/asset (-)	**-**	**-**	**-**	**-**
Deferred tax asset/liability in balance sheet	**-**	**-**	**-**	**-**

08 Financial assets and financial liabilities

The Company holds two bond loan of NOK 191.5 million (KCC04) and NOK 500.0 million (KCC05) which are listed on Oslo Stock Exchange. The bond loans have a bullet structure with no repayment until maturity in February 2025 and September 2028, respectively. KCC04 carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments. KCC05 carries a coupon of 3 months NIBOR plus a margin of 3.65 % p.a with quarterly interest payments.

The Company's bond loans are swapped to USD with fixed interest rate or floating interest with CME Term SOFR as benchmark (cross currency interest rate swaps/CCIRS). The cross-currency interest rate swaps qualify for hedge accounting and are recognised at fair value with changes through other comprehensive income.

Bond loan (KCC04)	Face value NOK' 000	Year of maturity	Carrying amount USD' 000
KCC04	700 000	11/02/2025	76 390
Realized exchange rate gain at buyback			(7 208)
Buyback KCC04 (Q3 2023)	(508 500)		(54 978)
Exchange rate adjustment			4 566
Capitalized expenses			(86)
Bond discount			(82)
Sum KCC04	**191 500**		**18 602**
KCC05	500 000	05/09/2028	46 971
Exchange rate adjustment			2 035
Capitalized expenses			(711)
Sum KCC05	**500 000**		**48 295**
Total bond loan	**691 500**		**66 897**

Maturity profile to financial liabilities at 31 December 2023
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)	5 266	25 861	54 015	-	**85 142**

Covenants
As per 31 December 2023, 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)	2023	2022
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	1 891	1 272
Financial instruments at fair value through P&L		
Forward currency contracts	285	-
Financial assets	**2 176**	**1 272**
Current	613	744
Non-current	1 562	528

Financial liabilities (USD '000)	2023	2022
Financial instruments at fair value through OCI	**985**	**2 466**
Cross-currency interest rate swap	985	2 466
Financial liabilities	**-**	**-**
Current	-	-
Non-current	985	2 466

KCC guarantees on behalf of KCC Shipowning AS and KCC Bass AS (part of the KCC Group) to the lending banks for the mortgage debt including unpaid interest, costs and hedging agreements. As of 31.12.2023 sum of loans, accrued interest and net mark-to-mark on hedging contracts amounts to USD 190.0 million.

(USD '000)	2023	2022
Mortgage debt	183 380	249 303
Net MtM hedging agreements	6 021	11 110
Accrued unpaid interest	568	2 541
Book value of guarantees provided	**189 969**	**262 954**

09 Financial items

Finance income (USD '000)	2023	2022
Interest income	1 287	541
Interest income from related parties (note 5)	624	541
Income from investments in subsidiaries	62 080	38 800
Gain on terminated cross-currency swaps (note 8)	2 652	-
Gain on currency contracts	285	-
Other financial income from related parties (note 5)	435	536
Finance income	**67 363**	**40 418**

In 2023, the Company has receieved dividends of USD 62.1 million from it subsidiary KCC Shipowning AS (note 3).

Finance costs (USD '000)	2023	2022
Interest paid to related parties (note 5)	-	(49)
Other interest expenses	(187)	(382)
Interest expenses bond loan	(4 969)	(4 767)
Amortization capitalized fees on loans	(490)	(253)
Other financial expenses	(1 931)	46
Loss on foreign exchange	(314)	(211)
Finance expenses	**(7 890)**	**(5 615)**

Other financial expenses includes premium paid on the repurchase of bond of USD 1.9 million.

10 Events after the balance sheet date

On 15 February 2023, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 21.2 million for Q4 2023 (USD 0.35 per share). A provision of USD 21.2 million has been included as trade and other payabels as per 31 December 2023.

There are no other events after the balance sheet date that have material effect on the Financial Statement as of 31 December 2023.

11 Restatement of 2022

On 17 February 2023, the Board of KCC Shipowning AS, a subsidiary of Klaveness Combination Carriers ASA approved the distribution of an extraordinary dividend of USD 9.7 million to the Parent Company. As the Financial Statements for Klaveness Combination Carriers ASA 2022 were approved 6 March 2023, the dividend of USD 9.7 million should have been included as dividend income in the 2022 figures. The error is corrected in 2023 as a restatement of the 2022 figures. Income Statement, Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity for 2022 have been restated to include USD 9.7 million as dividend income in 2022. As dividends from subsidiaries are tax exempt, the restatment has no effect on tax. Dividends of USD 9.7 million were received in 2023, hence no material effect on the Cash Flow Statement for 2022. The only adjustmens are to profit and loss and dividends from subsidiaries.

Income statement (USD '000)	31 Dec 2022	Adjustment	Restated 31 Dec 2022
Operating profit after depreciation (EBIT)	**(3 576)**		**(3 576)**
Finance income	30 718	9 700	40 418
Finance costs	(5 615)		(5 615)
Profit before tax	**21 527**	**9 700**	**31 227**
Income tax expenses	-		-
Profit after tax	**21 527**	**9 700**	**31 227**

Statement of Comprehensive Income (USD '000)	31 Dec 2022	Adjustment	Restated 31 Dec 2022
Statement of Comprehensive Income	**60 549**	**9 700**	**70 249**

Statement of Financial Position (USD '000)	31 Dec 2022	Adjustment	Restated 31 Dec 2022
Total non-current assets	**260 268**		**260 268**
Short term receivables from related parties	592	9 700	10 292
Total current assets	**11 737**	**9 700**	**21 437**
Total assets	**272 005**	**9 700**	**281 705**
Total non-current liabilities	**72 441**		**72 441**
Total current liabilities	**17 927**		**17 927**
Retained earnings	(72 171)	9 700	(62 471)
Equity attributable to equity holders of the parent	**181 637**	**9 700**	**191 337**
Total equity and liabilities	**272 005**	**9 700**	**281 705**

2022 (USD '000)	Share capital	Other paid in capital	Treasury shares	Hedging reserve	Retained earnings	Total equity
Equity at 1 January 2022	**6 234**	**243 054**	**(147)**	**(184)**	**(40 795)**	**208 162**
Profit (loss) for the period					21 527	21 527
Other comprehensive income for the period				4 852		4 852
Dividends					(52 933)	(52 933)
Share option program (Group note 17)					30	30
Equity at 31 December 2022	**6 234**	**243 054**	**(147)**	**4 668**	**(72 171)**	**181 637**
Adjustments						
Profit (loss) for the period					9 700	9 700
Restated* Equity at 31 December 2022	**6 234**	**243 054**	**(147)**	**4 668**	**(62 471)**	**191 337**

Responsibility Statement

The responsibility statement includes the Board of Directors and the CEO's approval of Annual Report 2023.

The CEO and Board of Directors of Klaveness Combination Carriers ASA

We confirm that, to the best of our knowledge, the consolidated financial statements for the period 1 January to 31 December 2023 have been prepared in accordance with IFRS Accounting Standards 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 Board of Directors' 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 2024.

KCC_ANNUAL_REPORT_2023_06.03.2024.pdf

Name	Method	Signed at
MEYER, ERNST ANDRÉ	BANKID	2024-03-08 04:33 GMT+01
Eilertsen, Brita	BANKID	2024-03-08 04:38 GMT+01
Andreassen, Gøran	BANKID	2024-03-08 01:57 GMT+01
Johansen, Winifred P Loum	BANKID	2024-03-07 21:49 GMT+01
Øvreås, Magne	BANKID	2024-03-07 21:38 GMT+01
Dahm, Engebret	BANKID	2024-03-08 06:17 GMT+01

Auditor’s Report

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Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, 0107 Oslo

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

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Combination Carriers ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Combination Carriers ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the Statement of Financial Position at 31 December 2023 and the income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information. The consolidated financial statements of the Group comprise Statement of Financial Position as at 31 December 2023, the income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders in 2018.

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 2023. These matters were addressed in the context of our audit of the

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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 vessels

Basis for the key audit matter	*Our audit response*
The accounting estimates for vessels 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 as well as industry practice for conventional dry bulk and tanker vessels respectively and considering the risk of assets becoming stranded. 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. Management considers the fleet of CLEANBU and the fleet of CABU as two separate cash generating units (“CGUs”) in their assessment of impairment indicators. Management did not identify indicators of impairment for any 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 evaluated the management’s estimation of useful lives and residual value, and compared these to industry practice, experience with similar type of vessels and environmental developments, available data for green recycling, experience from prior years and plans for docking and maintenance. We further recalculated depreciations for the year. 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 note 9 of the Group’s consolidated financial statements.

Other information

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

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

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act and of the consolidated financial statements of the Group in accordance with *IFRS Accounting 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Klaveness Combination Carriers ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 213800ZFB2MQM3JA6K52-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

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Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 7 March 2024
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The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant (Norway)

Johan Lid Nordby
Statsautorisert revisor
På vegne av: Ernst & Young AS
Serienummer: UN:NO-9578-5997-4-729076
IP: 147.161.xxx.xxx
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