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Prospectus

KLAVENESS COMBINATION CARRIERS ASA

(A public limited liability company incorporated under the laws of Norway)

Admission to listing and trading of the Company's Shares on Oslo Axess

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This prospectus (the "**Prospectus**") has been prepared in connection with the listing on Oslo Axess (the "**Listing"**) of all ordinary shares, each with a par value of NOK 1.00 (the "**Shares**") in Klaveness Combination Carriers ASA (the "**KCC**" or the "**Company**"), a public limited company incorporated under the laws of Norway (together with its consolidated subsidiaries, the "**Group**"). The Prospectus serves as a listing prospectus pursuant to section 7-3 of the Norwegian Securities Trading Act.

The existing Shares of the Company have not previously been admitted to trading on a regulated market, but have since 15 October 2018 been publicly traded on N-OTC with ticker code "KCC". On 15 May 2019, the Company applied for the Shares to be admitted for trading and listing on Oslo Axess, a stock exchange operated by Oslo Børs ASA ("**Oslo Axess"**), and the Company's listing application was approved by the board of directors of Oslo Børs on 20 May 2019. The Shares will, upon Listing, be de-registered from N-OTC and be admitted for trading through the facilities of the Oslo Stock Exchange. Trading in the Shares on Oslo Axess is expected to commence on or about 22 May 2019, under the ticker code "KCC".

ABG Sundal Collier ASA and Clarksons Platou Securities AS acting as Joint Global Coordinators and Joint Bookrunners and SEB Corporate Finance (a part of Skandinaviska Enskilda Banken AB (publ) Oslofilialen) acting as Joint Bookrunner (together referred to as the "**Managers**"), have acted as the Company's financial advisors in connection with the Listing.

Investing in the Shares involves a high degree of risk. Prospective investors should read the entire Prospectus and, in particular, consider Section 2 "Risk Factors" beginning on page 19 when considering an investment in the Company.

This Prospectus does not constitute an offer or an invitation to buy, subscribe or sell the securities described herein and the Prospectus relates solely to the Listing.

Joint Global Coordinators and Joint Bookrunners

ABG Sundal Collier ASA **Clarksons Platou Securities AS**

Joint Bookrunner

SEB Corporate Finance
(a part of Skandinaviska Enskilda Banken AB (publ) Oslofilialen)

The date of this Prospectus is 21 May 2019

IMPORTANT INFORMATION

This Prospectus has been prepared by Klaveness Combination Carriers ASA to provide information about the Company and its business solely for use in connection with the Listing on Oslo Axess. For definitions of certain other terms used throughout this Prospectus, see Section 19 "Definitions and Glossary".

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75 (the "**Norwegian Securities Trading Act**") and related secondary legislation, including the Commission Regulation (EC) no. 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 regarding information contained in prospectuses, as amended, and as implemented in Norway (the "**EU Prospectus Directive**"). This Prospectus has been prepared solely in the English language. The Financial Supervisory Authority of Norway (*Nw: Finanstilsynet*) (the "**Norwegian FSA**") has reviewed and, on 21 May 2019, approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. This Prospectus is valid for a period of 12 months from the date of approval by the Norwegian FSA. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or referred to in this Prospectus.

The Company has engaged ABG Sundal Collier and Clarksons Platou Securities as Joint Global Coordinators and Joint Bookrunners, and SEB as Joint Bookrunner to assist the Company in the Listing of its Shares.

The information contained in this Prospectus is current as at the date of this Prospectus and is subject to change, completion, and amendment without notice. In accordance with Section 7 - 15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Shares between the time of approval of this Prospectus by the Norwegian FSA and the Listing of the Shares on Oslo Axess, will be included as a supplement to this Prospectus. Except as required by applicable law and stock exchange rules the Company does not undertake any duty to update the information in this Prospectus. Neither the publication nor distribution of this Prospectus, nor the sale of any Shares, shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is authorised to give information or to make any representation concerning the Group or in connection with the Listing of the Shares other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorised by the Company or the Managers or by any of the affiliates, representatives, advisors or selling agents of any of the foregoing.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Shares in any jurisdiction in which such offer or sale would be unlawful. Neither this Prospectus nor any advertisement or any other listing material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves about, and to observe, any such restrictions.

This Prospectus shall be governed by, and construed in accordance with, Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Listing and this Prospectus.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General Information".

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions. The members of the Company's board of directors, the Company's board of directors (the "**Board Members**" and the "**Board of Directors**", respectively), and the members of the senior management of the Company (the "**Management**") are not residents of the United States. Virtually all of the Company's assets and the assets of the Board Members and members of Management are located outside the United States. As a result, it may be impossible or difficult for investors in the United States to effect service of process upon the Company, the Board Members and members of Management in the United States or to enforce against the Company or those persons judgments obtained in U.S. courts, whether predicated upon civil liability provisions of the federal securities laws or other laws of the United States.

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or the Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway.

AVAILABLE INFORMATION

The Company has agreed that, for so long as any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, it will during any period in which it is neither subject to Sections 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the "**U.S. Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owners of Shares, or to any prospective purchaser designated by any such registered holder, upon the request of such holder, beneficial owner or prospective owner, the information required to be delivered pursuant to Rule 144A (the "**Rule 144A**")(d)(4) of the U.S. Securities Act. The Company will also make available to each such holder or beneficial owner, all notices of shareholders' meetings and other reports and communications that are made generally available to the Company's shareholders.

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APPENDICES

1 SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7) below. This summary contains all the Elements required to be included in a summary for this type of securities and the Company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of "Not applicable".

Section A – Introduction and Warnings

A.1	**Warning**	This summary should be read as an introduction to the Prospectus and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Warning**	Not applicable. No consent is granted by the Company for the use of the Prospectus for subsequent resale or final placement of the Shares.

Section B - Issuer

B.1	**Legal and commercial name**	The legal and commercial name of the Company is Klaveness Combination Carriers ASA.
B.2	**Domicile and legal form, legislation and country of incorporation**	The Company is a Norwegian public limited liability company incorporated in Norway under the Norwegian Public Limited Companies Act with registration number 920 662 838.
B.3	**Current operations, principal activities and markets**	The business of the Company is to invest in, own and operate combination carriers that can switch between dry and wet cargoes. Through this flexibility, all vessels in the Group's fleet have close to full utilization through two laden legs and minimal ballast. In most of the existing and targeted dry bulk/wet combination trades in which the Group's vessels are employed, a standard dry bulk or tanker vessel typically ballasts 40-50% of the time and receives compensation for fuel and time used on the ballast leg. The Group's combination carriers will get the same ballast compensation as the competing standard vessels, despite having minimum ballast and two paying laden legs covering the costs of bunkers. This creates a favourable exposure to bunker prices and contributes to increasing the Group's net earnings; i.e. higher fuel prices have a positive impact on the Group's earnings. The three markets directly driving the Group's earnings (dry bulk, product tanker, bunker fuel) have been reasonably uncorrelated historically, and provide to a certain extent both a downside protection of and an upside potential in earnings of the Group. In addition, both the CABUs and CLEANBUs have a higher tanker cargo intake than similar sized tanker vessels and are hence able to give the customers a rebate on the extra volume lifted above a standard tanker lot-size, incentivizing the customer to use the CABU and CLEANBU vessels and

	improving earnings for the combination carriers. The Company's intention is to own tonnage which targets to operate mainly under contract of affreightments (the **"COAs"**) in the wet product market (especially for the CABU vessels) with a higher degree of spot trading in the dry bulk market, in order to secure a combination trading pattern and give the COA customers a high degree of flexibility. In addition, the mix of COAs and spot trading creates flexibility in optimizing the trading of the fleet, and the COA portfolio secures a more stable cash flow than for standard vessels trading spot. The Company will have an efficient and low-cost setup through services provided by affiliated Torvald Klaveness companies, such as administrative services, commercial management and supervision and project management and technical management. As per the date of this Prospectus, all vessels in the Group's fleet are owned 100% directly by KCC Shipowning AS. The fleet consists of nine CABU vessels and one CLEANBU vessel on water, seven CLEANBU vessels on order with expected deliveries from 2019 to 2021 and six options for six additional CLEANBU newbuildings from Jiangsu New YZJ shipyard in China with expected deliveries throughout 2021/2022. All vessels are employed on open rate time charter parties to KCC Chartering AS. KCC Chartering AS is the commercial vehicle of the Group, the counterparty in all freight contracts and spot voyage charters with third parties, and distributes all net earnings to KCC Shipowning AS as time charter hire on a monthly basis. The nine CABUs currently on the water have an average age of 11.7 years.
B.4a Significant recent trends	The Group's results of operations have been, and will continue to be, affected by a range of factors, many of which are beyond the Group's control. The key factors that Management believes have had a material effect on the Group's results of operations during the period under review, as well as those considered likely to have a material effect on its results of operations in the future, are described below: • Changes in national and international economic conditions, including for example interest rate levels, inflation and employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments, none of which will be within the control of the Company, may negatively impact the Company's earnings, and overall investor returns. • The demand for caustic soda, clean petroleum products, other wet products and dry bulk products are outside of the Group's control and depend, among other things, on the global economy, global trade growth, as well as prices for the different commodities. On the supply side, there are uncertainties tied to ordering new vessels and scope of future scrapping. The actual value of the vessels and/or their earnings after expiration of the fixed contract terms may be lower than the Group estimates. • Suitable investments may not always be available at a particular time. The Company's investment rate may be delayed or progress at a slower than anticipated rate for a variety of reasons. The Company may be competing for appropriate investment opportunities with other participants in the markets. It is possible that the level of such

		competition may increase, which may reduce the number of opportunities available to the Company and/or adversely affect the terms upon which such investments can be made by the Company. • Risks connected to the technical operation will always be present and the technical operation of a vessel has a significant impact on the vessels' economic life. There can be no guarantee that the parties tasked with operating a vessel or overseeing such operation perform their duties according to agreement or satisfaction. Failure to adequately maintain the technical operation of a vessel may adversely impact the operating expenses of the fleet. • The performance of the Group depends on its counterparties' ability to perform their obligations under agreed contracts, the continued need of key clients for the services performed by the Group and the Group's ability to renew contracts with these clients. Default by a counterparty of its obligations under contracts of affreightments may have material adverse effects on the portfolio investment. The counterparty's financial strength will thus be very important. The earnings of the CABUs depend on continuous renewal of COAs for the transportation of caustic soda and a shortfall of caustic soda COA volume will most likely impact earnings negatively. There is also counterparty risk associated with insurance institutions, banks and yards. • The Group's vessels will operate in a variety of geographic regions. Consequently, the Group may, indirectly through its underlying investments, be exposed to political risk, risk of piracy, corruption, terrorism, outbreak of war, amongst others. The business, financial condition and results of operations of the Group, indirectly, and its underlying investments directly, may accordingly be negatively affected if such events do occur.
B.5	**Description of the Group**	Klaveness Combination Carriers ASA is the parent company of the Group and has, as of the date of this Prospectus, three directly owned subsidiaries, namely KCC Shipowning AS ("**KCCS**") established in 1992, KCC Chartering AS ("**KCCC**") established in 2002, and KCC KBA AS ("**KBA**") established in 2013. All Group companies are incorporated in Norway.
B.6	**Interests in the Company and voting rights**	Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. To the best of the Company's knowledge, the following shareholders are owning as per the date of this Prospectus 5% or more of the Shares: **Shareholder** — **Ownership** Klaveness Ship Holding AS — 54.0% EGD Shipholding AS — 18.4% There are no differences in voting rights between the Shares. Save for the Private Placement, the Company is not aware of any arrangements the operations of which may at a subsequent date result in change of control of the Company.

B.7 Selected historical key financial information	The summary of consolidated financial data presented below has been derived from the Group's consolidated financial statements for 2018. The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "**IFRS**") as endorsed by the European Union (the "**EU**"). For the purpose of this listing prospectus the financial statements have been audited by Ernst & Young AS (the **"EY"**). The Company was established 23 March 2018 and has as a result not prepared annual financial statements previously. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS and KCC KBA AS and is considered a continuation of the underlying business in these entities. 2018 is therefore presented as if KCCS and KBA had been owned from the beginning of the year, and in the comparable period for 2017. Financial data for 2016 is based on KCCS. KBA owned standard dry bulk tonnage prior to 2017 and is hence not relevant for the comparison, while KCCC distributes its net revenue to other companies in the Group as variable time charter revenue. As such, the acquisition has limited impact on net result of the consolidated income statement of KCC, but represents a material change in gross operating revenues, voyage expenses, inventories, trade receivables and trade payables. KCC further acquired KCC Chartering AS in a business combination at the end of March 2018. This entity has been consolidated from the date of control on 23 March 2018, but as a practical approximation, it has been included in the consolidated numbers from 1 April 2018 (no restatement of comparative figures, or period prior to 1 April 2018). Since the Group is a continuation of the businesses of KCCS and KBA that have been under the control of the same owner, Klaveness Ship Holding AS ("**KSH**"), and as the financial statements for KCCS and KBA have historically been prepared under IFRS, no IFRS adjustments have been necessary for the Group's financial reporting as otherwise would have been warranted by IFRS 1 "First time adoption of International Financial Reporting Standards". The Group's consolidated financial statements comprise KCC and all subsidiaries over which it has control. Control is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements, is capable of exercising control over the company. Non-controlling interests are included in the Group's equity. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and consolidation is continued until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company, using consistent accounting principles for similar transactions and events under otherwise similar circumstances. The financial statements of KCC Shipowning AS which are prepared in accordance with IFRS, as of 31 December 2017 and 2016 and for each of the years then ended, as well as the Financial Statements for Klaveness Combination Carriers AS as of 31 December 2018 included in Appendix C and B of this Prospectus, respectively, have been audited by Ernst & Young AS, independent auditors, as stated in their reports appearing herein.

Consolidated income statement:

The table below sets out selected data from the Group's consolidated income statement for the period 1 January 2018 to 31 December 2018, for 1 January 2017 to 31 December 2017 and 1 January 2016 to 31 December 2016.

2018:

- KCCS and KBA from 1 January to 31 December
- KCCC from 1 April to 31 December

2017:

- KCCS and KBA from 1 January to 31 December

2016:

- KCCS from 1 January to 31 December

	Year ended 31 December		
	2018	2017	2016
In USD '000	*(audited)*	*(audited)*	*(audited)*
Continuing operations			
Freight revenue	84 284	-	-
Charter hire revenue	17 540	46 235	41326
Total revenue, vessels	**101 824**	**46 235**	**41 326**
Voyage expenses	(45 431)	-	-
Net revenues from operation of vessels	**56 393**	**46 235**	**41 326**
Operating expenses, vessels	(21599)	(21199)	(16 710)
Group commercial and administrative expenses	(3 618)	(1167)	(1333)
Tonnage tax	(119)	(112)	(81)
Other operating and administrative expenses	(300)	(170)	(48)
Depreciaton	(16 840)	(16 867)	(13 006)
Total operating expenses	**(42 476)**	**(39 515)**	**(31 178)**
Operating profit (loss)	**13 917**	**6 720**	**10 149**
Financial income	2 234	1709	1910
Financial expenses	(7 374)	(5 331)	(3 465)
Net financial income (expenses)	**(5 140)**	**(3 622)**	**(1 555)**
Profit before taxes	**8 777**	**3 098**	**8 594**
Tax expense	59	(38)	449
Profit after tax	**8 836**	**3 060**	**9 043**
Profit after tax from discontinuing operations	-	(318)	26 727
Profit for the year	**8 836**	**2 742**	**35 769**
Other comprehensive income	385	(86)	-
Total comprehensive income	**9 221**	**2 655**	**35 769**
Basic and diluted profit per share	**0.00**	**0.00**	

Consolidated statement of financial position:

The table below sets out selected data from the Group's consolidated statement of financial position as at 31 December 2018, 2017 and 2016.

2018: KCCS, KBA and KCCC

2017: KCCS and KBA

2016: KCCS

	Year ended 31 December		
	2018	**2017**	**2016**
In USD '000	*(audited)*	*(audited)*	*(audited)*
Deferred tax asset	15	-	-
Vessels	167 037	179 785	158 852
Newbuilding contracts	59 877	37 751	31995
Long-term receivable from related parties	-	13 788	15 000
Financial assets	1855	912	1052
Total non-current assets	**228 785**	**232 236**	**206 899**
Financial assets	464	-	-
Inventories	5 883	726	659
Trade receivables and other current assets	9 870	1893	6 491
Receivables from related parties	594	7 638	2 572
Cash and cash equivalents	88 263	51538	64 908
Total current assets	**105 074**	**61795**	**74 631**
Assets held for sale	-	-	-
TOTAL ASSETS	**333 859**	**294 032**	**281530**
Share capital	4 863	-	190
Share premium	92 271	48 997	41608
Other reserves	51	-	-
Retained earnings	80 901	103 877	119 339
Non-controlling interests	-	20 441	14 330
Total equity	**178 086**	**173 315**	**175 467**
Mortgage debt	95 746	94 765	80 574
Other long-term liabilities to related parties	36 000	-	-
Financial liabilities	450	1509	2 117
Deferred tax liability	-	59	-
Total non-current liabilities	**132 196**	**96 333**	**82 691**
Short term mortgage debt	12 200	20 549	19 818
Other interest bearing liabilities	2 172	-	-
Financial liabilities	918	-	-
Trade and other payables	7 724	3 835	3 553
Current debt to shareholders	563	-	-
Total current liabilities	**23 577**	**24 384**	**23 372**
Liabilities directly associated with assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**333 859**	**294 032**	**281530**

Consolidated Statement of Cash Flow:

The table sets out selected data from the Group's consolidated statement of cash flow for the twelve months ended 31 December 2018, 2017 and 2016.

2018:

- KCCS and KBA from 1 January to 31 December
- KCCC from 1 April to 31 December

2017:

- KCCS and KBA from 1 January to 31 December

2016:

- KCCS from 1 January to 31 December

	Year ended 31 December		
	2018	2017	2016
In USD '000	*(audited)*	*(audited)*	*(audited)*
Profit before tax continuing operations	8 777	3 098	8 594
Profit before tax from discontinuing operations	-	57	26 727
Tonnage tax expensed	119	112	81
Ordinary depreciation and impairment	16 840	16 867	13 006
Net gain/loss fixed assets	-	-	(26 469)
Amortization of upfront fees bank loans	228	258	233
Financial derivatives unrealised loss / gain (-)	(1 163)	(518)	(903)
Interest income	(1 071)	(1 355)	(641)
Interest expenses	6 972	4 886	2 098
Taxes paid for the period	-	(73)	(1 528)
Change in receivables	(2 070)	(381)	6 373
Change in current liabilities	(1 782)	206	(3 325)
Change in other working capital	-	-	592
Interest received	1 071	1 355	641
Net cash flow from operating activities	**27 920**	**24 513**	**25 479**
Aquisition of tangible assets	(2 817)	(3 368)	(2 638)
Installments/other costs newbuilding contracts	(22 126)	(40 188)	(64 647)
Payments received disposal of vessels			190 000
Acquisition of subsidiaries, net of cash	863	-	-
Net cash from from investment activities	**(24 080)**	**(43 556)**	**122 715**
Proceeds from mortgage debt	-	36 518	63 861
Repayment of mortgage debt	(7 528)	(21 783)	(81 733)
Interest paid	(7 103)	(5 144)	(2 098)
Capital increase/decrease (-)	56 419	6 500	(73 500)
Payments made by increase of loans to related parties	-	216	(15 000)
Aquisition of non-controlling interests	(622)	-	-
Group contribution	(9 958)	(11 640)	(41 594)
Dividends to non-controlling interests	(495)	(1 346)	(4 849)
Net cash flow from financing activities	**30 713**	**3 322**	**(154 913)**
Net change in the liquidity in the period	**34 552**	**(15 721)**	**(6 720)**
Cash and cash equivalents at the beginning of the period	51 538	67 259	71 628
Cash and cash equivalents at the end of the period	86 090	51 538	64 908
Net change in cash and cash equivalents in the period	**34 552**	**(15 721)**	**(6 720)**

Consolidated statement of changes in equity:

The table below sets out selected data from the Group's audited consolidated statement of changes in equity for the period ended 31 December 2018.

In USD '000	**Share capital**	**Other paid in capital**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity at 1 January 2018	**-**	**48 997**	**-**	**103 877**	**152 873**	**20 441**	**173 315**
Profit (loss) for the period	-	-	-	7 978	7 978	858	8 836
Other comprehensive income for the period	-	-	51	-	51	334	385
Bonus issue (establishement March 23, 2018)	142	(142)	-	-	-	-	-
Capital reduction	(13)	(35 987)	-	-	(36 000)	-	(36 000)
Capital increase (April 25, 2018)	36	39 695	-	-	39 731	-	39 731
Bonus issue	3 684	(3 684)	-	-	-	-	-
Acquisition of non-controlling interest (April 25, 2018)	-	-	-	(260)	(260)	(363)	(623)
Acquisition of non-controlling interest (April 30, 2018)				(6 947)	(6 947)	(20 775)	(27 723)
Group contribution	-	-	-	(23 746)	(23 746)	-	(23 746)
Dividends to non-controlling interests	-	-	-	-	-	(495)	(495)
Capital increase (October 10, 2018)	1 014	43 393		-	44 407		44 407
Equity at 31 December 2018	**4 863**	**92 271**	**51**	**80 901**	**178 086**	**-**	**178 086**

B.8	**Selected key pro forma financial information**	Not applicable. There is no *pro forma* financial information.
B.9	**Profit forecast or estimate**	Not applicable. No profit forecasts or estimates are made.
B.10	**Audit report qualifications**	Not applicable. The audit reports do not include any qualifications.
B.11	**Insufficient working capital**	Not applicable. The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, for the period covering at least 12 months from the date of this Prospectus.

Section C - Securities

C.1	**Type and class of securities admitted to trading and identification number**	The Company has one class of Shares in issue and all Shares provide equal rights in the Company. Each of the Shares carries one vote. The Shares have been created under the Norwegian Public Limited Companies Act and are registered in book-entry form with the VPS under ISIN NO 001 0833262.
C.2	**Currency of issue**	The Shares are issued in NOK.
C.3	**Number of shares in issue and nominal value**	As of the date of this Prospectus, the Company's share capital is NOK 47,880,000 divided into 47,880,000 Shares, each with a nominal value of NOK 1.00.
C.4	**Rights attaching to the securities**	The Company has one class of Shares in issue, and in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company. Each of the Shares carries one vote. The rights attaching to the Shares are described in Section 14.10.2 "Certain aspects of Norwegian corporate law".
C.5	**Restrictions on transfer**	The Articles of Association do not provide for any restrictions on the transfer of Shares, or a right of first refusal for the Company's shareholders. Share transfers are not subject to approval by the Board of Directors.
C.6	**Admission to trading**	The Company applied for admission to trading of its Shares on Oslo Axess on 15 May 2019, and the board of directors of Oslo Børs approved the listing application of the Company on 20 May 2019. The Company currently expects commencement of trading of its Shares on Oslo Axess, on or about 22 May 2019. The Company has not applied for admission to trading of the Shares on any other stock exchange or regulated market.
C.7	**Dividend policy**	In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will take into account applicable legal restrictions, as set out in the Norwegian Public Limited Companies Act, the

	Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors. The Company is committed to continue to execute a dividend policy in line with the historical track record of the Group. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of operating cash flow less debt service and maintenance capex as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for and the Company's financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise. The timing and amount of dividends is at the discretion of the Board of Directors. Distribution of dividends is further subject to any restrictions in the Group's borrowing arrangements or other contractual arrangements in place at the time. There can be no assurance that a dividend will be proposed or declared in any given period. If a dividend is proposed or declared, there can be no assurance that the dividend amount or yield will be as contemplated above.

Section D - Risks

D.1	**Key risks specific to the Company or its industry**	***Risks related to the business of the Group*** • Commercial management and the Group's ability to attract and retain key personnel • Dependency on a limited number of customers. The portfolio of contract of affreightments for transportation of caustic soda is dependent on a limited number of customers. The key customers for the CABU vessels are mainly investment grade aluminium companies. • Ability to renew key/material COAs. The Group has key short- to long-term COAs for its CABU vessels. Failure to renew these contracts as they expire could impact profitability negatively. In order to continue the ongoing business and to protect its earnings, the Group must continue its strong and long-lasting relationships with industrial customers in addition to attracting new customers. However, it is not given that the Group will be able to continue its existing relationships, nor that it will be able to replace outgoing customers or attract new customers. • Acceptance of the CLEANBU vessels from clients and terminals. Mainly due to cargo contamination concerns, most oil and petrochemical companies, traders and terminals in the clean petroleum products (the **"CPP"**) business have internal policies that the last two or three cargoes on employed vessels have to be CPP. Cargo contamination is a common problem in the tanker business due to inadequate cleaning of the vessels' cargo tanks and the specificities of the last cargoes. The Group has obtained exemption from such requirements from

	some target customers and terminals and is dependent on obtaining additional and continued exemptions for the vessels to be able to trade as CLEANBU combination carriers in the intended trades, i.e. for the vessels to trade consecutively in a CPP-dry bulk combination trading pattern. The Group has strict operational routines mitigating the risk of contamination developed over many years of operating combination carriers. The holds of the relevant vessels, the CLEANBUs, have been designed to minimize the risk of cargo contamination with a totally smooth cargo tank surface, integrated efficient cleaning machines and large fresh water and water heating capacities. As opposed to standard tanker vessels, the cargo tanks/holds are easy to inspect to verify cargo tank cleanliness. • Unfavourable changes in trade flows and volumes. The Group is dependent on matching shipments of wet cargoes such as caustic soda and CPP into dry bulk exporting regions with outgoing dry bulk commodities to optimize the economics of the vessels. Trade flows can change and unforeseeably have an adverse effect on the Group's earnings and financial position. • The Group may face increased competition. Competitors may seek to copy the Group's combination carrier designs/concepts and start a competing service which may reduce the earnings on the main trade lanes of the Group's vessels.
	Risks related to the industry in which the Group operates • The highly cyclical nature of the dry bulk and product tanker shipping industries. A downward development in product tanker freight rates and dry bulk freight rates may have a negative effect on the Group's earnings. • Efforts to curb greenhouse emissions, as well as their potential effects may negatively affect demand for transportation of dry bulk commodities and oil products. • Fluctuation of bunker fuel prices. Fuel may become much more expensive in the future, which may reduce the demand for and hence the profitability and competitiveness of shipping versus other forms of transportation, such as truck or rail. Increasing bunker prices may also lead to higher working capital requirements, which may have a negative effect on the Group's liquidity. In the current and target dry/wet combination trades for the Group vessels, standard dry bulk and tanker vessels ballast one way and are laden on the other leg. The vessels receive compensation for time and fuel used on the ballast leg. The Group's combination carriers compete against the standard vessels on each leg and hence receive the same ballast compensation. However, the combination carriers have two laden legs and are paid for the bunker fuel on both legs. The Group as such gets a favourable exposure to bunker prices which has a positive contribution to net earnings; i.e. higher fuel prices have a positive impact on the Group's earnings.
	Risks related to regulations and litigation • Changes in, or interpretation of, tax laws applicable to the Group

companies.

- The Group is subject to complex laws and regulations, including environmental laws and regulations that can adversely affect its business, results of operations and financial condition.

Risks related to financing

- Availability of financing. Any financing is subject to conditions in the credit market. There can be no assurance that the Group will be able to procure new financing or that the terms of any new financing will be favourable.
- Borrowings and leverage normally generate interest costs which may cause significant negative impact to the Group's financial accounts.
- Pricing. There can be no assurance that the tax authorities will conclude that the Group's transfer pricing policies calculates correct arm's length prices for intercompany transactions, which could lead to an adjustment of the agreed price, which would in turn lead to increased tax cost for the Group.
- Any new sources of financing are subject to conditions in the credit markets, which are currently volatile. There can be no assurance that the Group will be able to procure new financing or that the terms of any new financing will be favourable.
- The interest payments for bank debt are based on LIBOR + a margin and are hence exposed to fluctuations in US interest rates. A higher US interest rate will increase interest costs. Part of this exposure has been secured by interest rate swaps and other interest rate derivatives.
- Currency fluctuations. The Group generates all revenue in U.S. dollars ("**USD**"), while some parts of the Group's expenses are denominated in Norwegian Krone and a portion of the ship operating and administrative expenses are denominated in currencies other than U.S. dollars or Norwegian Krone, e.g. Euro ("**EUR**") and Australian dollars ("**AUD**"). This difference could lead to fluctuations in net income due to changes in the value of the USD relative to the other currencies, in particular the Norwegian Krone ("**NOK**") and EUR. The Group may mitigate the currency risk through the use of financial derivatives. Any future use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the notional amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.
- Hedging transactions. The Group may engage in certain hedging transactions which are intended to reduce the currency, interest rate, fuel and freight exposure. Any such hedging transactions may be imperfect, leaving the Group indirectly exposed to some risk from the position that was intended to be protected.
- Existing financial risk. A drop in spot charter rates may provide an incentive for some charterers to default on their charters.

	• Fluctuations in working capital. The Group is depending on having available funds to support working capital requirements for its business. The adequacy of available funds will depend on many factors, including but not limited to the further growth of the business, capital expenditures, changes in working capital, payment terms and market development. The Group may therefore in the future be dependent on obtaining financing and/or new equity to ensure adequacy of available funds to support the business. If the Group is unable to obtain future debt and/or equity financing, it may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.
	Should any of the risks materialize, individually or together with other circumstances, they could have a material and adverse effect on the Group and/or its business, financial condition, results of operations, cash flows and/or prospects, which could cause a decline in the value and trading price of the Company's shares, resulting in the loss of all or part of an investment in the Company's Shares.

Section E - Offer

E.1	**Net proceeds and estimated expenses**	Not applicable. The Company will not receive any proceeds as there will be no public offering of Shares.
E.2a	**Reasons for the Listing**	The Company believes that the Listing will: • facilitate raising of necessary equity needed to fund further CLEANBU newbuilding options and/or other investment opportunities; • enable access for the Company to specialized capital markets to facilitate continued growth; • facilitate the use of Shares or Securities as currency in mergers and acquisitions transactions; • attract a wider investor base; • enhance the Company's profile with investors, business partners, vendors and customers and increase public credibility; and • create a more liquid market for the Company's Shares.
E.3	**Terms and conditions of the Listing**	Not applicable.
E.4	**Material and conflicting interests**	The Managers, or their affiliates, have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers received a management fee in connection with the Private Placement and will receive an additional fee for the Listing of the Company's Shares, and, as such, have an interest in the Listing. AS Klaveness Chartering ("**KC**"), a fully owned company within Torvald Klaveness, is a large operator of supramax, panamax/kamsarmax and post-panamax vessels. The Company and KC is co-operating in the dry bulk market to provide the best possible service to KCC's customers as

		well as securing the best possible scheduling flexibility and access to suitable dry bulk cargoes, minimizing ballast and waiting time for the Company's vessels. Business between the Company and KC is based on arm's-length principle. Beyond the above-mentioned, the Company is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Listing.
E.5	**Selling shareholder and lock-up agreements**	Pursuant to an undertaking included in the Mandate Agreement, the Company undertook that it will not, without the prior written consent of the Managers, during the period up to and including the date falling 180 days from the first day of trading of the Shares on Oslo Axess, issue any further shares unless in relation to (1) the issue of Shares in the Private Placement, (2) granting of options or subscription rights or issuance of shares or Shares under ordinary employee incentive programmes or (3) the issue of new Shares as consideration in connection with acquisitions of companies and businesses. The Company's largest shareholder (KSH) undertook that it will not, and that it will procure that none of its subsidiaries will, without the prior written consent of the Managers, during the period up to and including the date falling 12 months from the first day of trading of the Shares on Oslo Axess, (1) sell, offer to sell, contract or agree to sell, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly any Shares or any Shares convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any Shares convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, whether any such transaction is to be settled by delivery of Shares or such other Shares, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) the transfer of Shares to any of the Managers pursuant to the Listing, (B) any action (including, for the avoidance of doubt, pre-accepting such offers) in connection with a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Shares Trading Act or a legal merger, (C) any transfer of Shares to (i) any entity that is directly or indirectly controlled by, controls or is under common control with KSH or (ii) any of KSH's affiliates or any of its affiliates' directors and officers, in each case who assume the same lock-up obligations as undertaken by the transferring KSH or (D) any Shares acquired following the completion of the Listing. Pursuant to additional lock-up undertakings, the primary insiders of the Company, including the senior management and Directors undertook that they will not, without the prior written consent of the Managers, during the period up to and including the date falling 6 months from the first day of trading of the Shares on Oslo Axess, directly or indirectly, (1) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any Shares or any Shares convertible into or exercisable or exchangeable for Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares, or such other Shares, in cash or otherwise, or (3) agree or publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) any action (including, for the avoidance of doubt, pre-accepting

		such offer) in connection with a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Shares Trading Act or (B) any transfer of Shares to any entity directly or indirectly controlled by the shareholder who assume the same lock-up obligations as undertaken by the shareholder.
E.6	**Dilution resulting from the Listing**	Not applicable.
E.7	**Estimated expenses charged to investor**	Not applicable. No expenses or taxes will be charged by the Company or the Managers to the applicants in the Listing.

2 RISK FACTORS

An investment in the Shares involves inherent risk. Before making an investment decision with respect to the Shares or Private Placement Shares, investors should carefully consider the risk factors and all information contained in this Prospectus. The risks and uncertainties described in this Section are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Shares. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Shares. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material and adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects, which could cause a decline in the value and trading price of the Shares, resulting in the loss of all or part of an investment in the same.

The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operations, cash flows and/or prospects. The risks mentioned herein could materialise individually or cumulatively. The information in this Section is as of the date of this Prospectus.

2.1 Risks related to the business of the Group

2.1.1 Commercial management and the Group's ability to attract and retain key personnel

The Group's success depends, to a significant extent, upon the abilities and efforts of a small number of key personnel, including the members of the current management team, currently provided under management agreements with Klaveness AS, and any other key persons appointed by the Company who will be involved in the management of the Company, and there can be no assurance that such individuals will continue to be involved in the management of the Company in the future, or that their continued involvement will guarantee the future success of the Company. If the Group does not retain such key competence, and/or if it is unable to attract new talent or competencies relevant for the future development of the Group either directly or through management agreements with affiliated Torvald Klaveness companies, this may have a negative effect on the success of the Group, and the Group's ability to expand its business and/or to maintain and develop its competitive skill set, which will correspondingly have an adverse effect on the Group's competitive position and financial performance. Difficulty in hiring and retaining replacement personnel could adversely affect the business prospects of the Group.

2.1.2 Dependency on a limited number of customers

The Group is, to a certain degree, dependent on a limited number of key customers. 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, cash flows and the financial condition of the Group. The key customers for the CABU vessels 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. Digitalization of processes and business models could also affect the way the Group interacts with its customers and how they purchase services in the future.

2.1.3 Ability to renew key/material contracts of affreightment

The Group has short- to long-term freight contracts (COAs) for its CABU vessels and have concluded the first COA for its CLEANBU vessels. Failure to renew these contracts as they expire could impact the Group's profitability negatively. In order to continue the ongoing business and to protect its earnings, the Group must continue its strong and long-lasting relationships with industrial customers in addition to attracting new customers. However, it is not given that the Group will be able to continue its existing relationships, nor that it will be able to replace outgoing customers or attract new customers.

2.1.4 Acceptance of the CLEANBU vessels from clients and terminals

Mainly due to cargo contamination concerns, most oil and petrochemical companies, traders and terminals in the clean petroleum products (CPP) business have internal policies that the last two or three cargoes on employed vessels have to be CPP. Cargo contamination is a common problem in the tanker business due to inadequate cleaning of the vessels' cargo tanks and the specificities of the last cargoes. The Group has obtained exemption from such requirements from some target customers and terminals and is dependent on obtaining additional and continued exemptions for the vessels to be able to trade as CLEANBU combination carriers in the intended trades, e.g. for the vessels to trade consecutively in a CPP-dry bulk combination trading pattern. The Group and its Managers have strict operational routines mitigating the risk of contamination developed over many years of operating combination carriers. The holds of the relevant vessels, the CLEANBUs, have been designed to minimize the risk of cargo contamination with a totally smooth cargo tank surface, integrated efficient cleaning machines and large freshwater and water heating capacities. As opposed to standard tanker vessels, the cargo tanks/holds are easy to inspect to verify cargo tank cleanliness.

2.1.5 Unfavourable changes in trade flows and volumes

The Group is dependent on matching shipments of wet products, such as caustic soda and CPP into dry bulk exporting regions with outgoing dry bulk commodities to optimize the economics of the vessels. Trade flows can change or be impacted by blockades, embargoes etc., and unforeseeably have an adverse effect on the Group's earnings and financial position.

2.1.6 Risks during introduction of and failure to deliver newbuildings

The Group has taken delivery of one CLEANBU newbuilding in January 2019 and has seven newbuildings on order. Introduction of new ship types or concepts like the CLEANBUs will normally require technical adjustments and modifications, which will take time and may lead to off-hire and delayed deliveries. In addition, there is risk of delays and failure by the yard to deliver. The yard risk is, however, limited for the two newbuildings with scheduled delivery in May and July 2019 as construction is close to completed and the vessels have been through sea-trials. Tier-one Chinese banks have provided refund guarantees for five of the newbuildings and are to be provided also under the contracts for the last two.

2.1.7 Changes in the legislative and fiscal framework may affect profitability

Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of the Group, hereunder current International Maritime Organization (the "**IMO**") conventions, could have material impact on the Group's business, the markets in which it operates, and the financial condition of the Group. The same applies to new technical and/or safety requirements, including age limitations.

2.1.8 The Group may face increased competition

An assurance cannot be given that the Group will be able to maintain its competitive position in relation to current and/or future competitors. The failure of the Group to maintain competitive offering of its services could have a material adverse effect on the Group's business, operating results or financial condition. The Group is working to expand the combination concept both to new geographies and new cargo types and has ordered new vessels towards this growth. If the Group is not successful in this work, these vessels will have to operate in established combination trades or as standard dry bulk or tanker vessels. Competitors may seek to copy the Group's combination carrier designs/concepts and start a competing service which may reduce the earnings on the main trade lanes of the Group's vessels. Please see Section 8.5 "Business description" for details on the Company's main areas of operation today as well as potential areas of expansion with the addition of newbuildings on order to the fleet.

2.1.9 The Group could be subject to fraudulent behaviour from employees and/or third parties

Employees of, and/or third parties acting as agents for the Group could engage in fraudulent behaviour against the Group on their own, or that of others' initiative, making them act against the interest of the Group. Such actions could include, but is not limited to, document fraud, port bribes, fraudulent commission agreements, facilitation payments and bribes to get access to exclusive business. Whether deliberate or not, such actions could potentially put the Group at risk for both legal liabilities and reputational damage.

Following the introduction of the United Kingdom Bribery Act, and the international conventions on the subject (UN, OECD, EU), a growing number of countries are intensifying their efforts towards fighting corruption. Norway has, like the United Kingdom (the "**UK**"), also changed its civil penal code to include liability for corruption, whereas it is required that the employers take "adequate procedures" to prevent bribery within the organisation in order for the employer to avoid liability for corruption made by an employee. The Group is continuously working to ensure such adequate procedures to prevent fraudulent behaviour from individuals inside, or with connections to, the Group are implemented and repeatedly reinforced in all levels of the organisation. However, should the Group fail to meet applicable regulation it could potentially trigger criminal, civil and employment sanctions. Ensuing attention from the media could further increase reputational risk. Consequently, the reputational risk of employees acting beyond or without the mandate of the Group could be detrimental to the Group's ability to retain and attract customers, as well as key personnel.

2.1.10 The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks

The Group's activities are exposed to e.g. freight rate risk, bunker fuel price risk, as well as risks relating to foreign exchange, interest rate, counterparties (including credit), operations, regulations and other risks. The Group's policies and procedures to identify, monitor and manage risks may not be fully effective. Some of the Group's methods of monitoring and managing risks are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by the Group. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so. Failure to mitigate all significant risks associated with the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition.

2.1.11 Operational and other errors may lead to liabilities for the Group

The vessels operated by the Group are subject to perils particular to marine operations, including capsizing, grounding, collision and loss and damage from severe weather or storms. The vessels may also be subject to other unintended accidents. Such circumstances may result in loss of or damage to the relevant vessel, damage to property, including other vessels and damage to the environment or persons or damages connected with future contracts which cannot be fulfilled. Such events may lead to the Group being held liable for substantial amounts by injured parties, their insurers and public governments. In the event of pollution, the Group may be subject to strict liability. Environmental laws and regulations applicable in the countries in which the Group operates have become more stringent in recent years. Such laws and regulations may expose the Group to liability for the conduct of or conditions caused by others, or for acts by the Group that were in compliance with all applicable laws at the time such actions were taken.

The occurrence of the above-mentioned events may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity, and there can be no assurance that the Group's insurance will fully compensate any such potential losses and/or expenses. Further, the Company's management will monitor the performance of each investment, however, the Company will rely upon the technical and day-to-day management of the assets, and there can be no assurance that such management will operate successfully.

2.1.12 Due diligence risk

The Group will seek to complete reasonable and appropriate technical, financial and/or legal due diligence prior to making an investment. Such due diligence will primarily be based on information which may only be available through certain third parties. Such information may be erroneous, incomplete and/or misleading, and there can be no assurance that all material issues will be uncovered.

2.1.13 Illiquidity of assets – realisation risk

The CLEANBU vessels are both dry bulk vessels and product tankers. The CABU vessels are both dry bulk vessels and product tankers capable of shipping mainly caustic soda. The vessels can be sold as standard dry bulk vessels and/or product tankers. The full value of the vessels may however be difficult to realize through such realisation as few other shipping companies will be able to operate the vessels as combination carriers switching between wet and dry products.

2.1.14 Technical risks

Technical risks will always be present and the technical operation of a vessel has a significant impact on the vessels' economic life. There can be no guarantee that the parties tasked with operating a vessel or overseeing such operation perform their duties according to agreement or satisfaction. Failure to adequately maintain the technical operation of a vessel may adversely impact the operating expenses of the fleet.

2.1.15 Counterparty risk

The business in which the Group has invested in is highly exposed to counter party risks, *inter alia* and in particular under COAs on fixed rate. 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 contracts.

2.2 Risks related to the industry in which the Group operates

2.2.1 Economic developments

The general development of and prospective future of the economy, and in particular the oil and commodities markets, may affect the profitability of the Group companies. Negative economic developments may lead to a downturn in the future prospects of the sectors the Group have invested in and may also make it more difficult to raise equity or loan capital which may affect the operations of the Group.

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.

The continued economic slowdown in the Asia Pacific region, especially in Japan and China, and the Sino-US trade war may further exacerbate the effect on the Group. The Group's financial condition and results of operations, as well as its future prospects, would likely be impeded by a worsening economic downturn in these countries and a continued trade war.

Limitations on the availability of capital, higher costs of capital for financing expenditures or the desire to preserve liquidity, may cause the Group's current or prospective customers to make reductions in future capital budgets and spending. Such adjustments could reduce demand for the Group's services. A tightening of the credit markets may also affect the solvency of the Group's counterparties which could impact the performance and payment of the counterparties' obligations under the current or future contracts of the Group.

2.2.2 Highly competitive dry bulk and product tanker shipping markets

The dry bulk and product tanker shipping markets are highly competitive with numerous industry participants, none of which have a dominant market share globally, and contracts have traditionally been awarded on a competitive bid basis. Customers may consider pricing as a factor in determining a contract award in addition to availability and location, operational and safety performance records and condition and suitability of equipment. The Group's inability to win contracts will have a material adverse effect on the Group's overall business. Factors determining the degree of competitiveness in these markets include but are not limited to: low barriers to entry, highly fragmented market with many small market participants, and access to financing. The Group’s vessels, contrary to standard vessels, will have paying cargoes in both directions in current and targeted combination trades, and hence, will normally be more competitive than standard vessels in these trades.

2.2.3 Highly cyclical nature of the dry bulk and product tanker shipping industries

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

Factors that influence demand for shipping capacity include, but are not limited to:

- supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including trade wars, imposed tariffs, armed conflicts, terrorist activities, embargoes and strikes;
- developments in international and regional trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;

- currency exchange rates; and
- the weather.

The main drivers of demand are outside of the Group's control. Random shocks to the economy and the oil industry beyond the Group's control could also impact the growth in demand for transportation of dry bulk commodities as well as oil products, both positively and negatively. In the longer term, the demand growth for commodities like seaborne iron ore and coal will likely have a larger impact on the fleet utilization rate, as a negative shock in demand for the transportation of these commodities could result in lack of employment for the Group's vessels causing idle time or a lower degree of trading as combination carriers and in worst case lay-up of vessels and a corresponding loss of revenues.

The world fleets serving the dry bulk, chemical and oil product markets are large and subject to diverse ownership. Owing to the long life span of ships, as well as the long construction period, the supply side will not adapt as quickly to changes in the markets as the demand side does. In periods of high market rates, there is a risk that vessel orders will surpass future demand growth for seaborne transportation, which may have a long-lasting effect on the market balance once the ships are delivered. Such prolonged periods of oversupply lead to decline of fleet productivity over time; longer off-hire times for vessels and reduction in average speed of the fleet. In order for fleet productivity to increase again, there must be an increase in demand and/or increase in the scrapping of vessels. Factors influencing ship-owners to scrap their vessels depend on a number of parameters, including but are not limited to: age of the vessel, technical advances (e.g. within the area of fuel efficiency), scrap prices and the freight market. The prevailing freight market influences both present earnings for the vessel, and the present possibilities for locking in the future income of the vessel for a given period. Should behavioural factors, or other factors influencing shipowners' decision to scrap their vessels, distort the ongoing reduction of net fleet growth in the form of scrapping of obsolete vessels, the Group may face a further prolonged period of weak standard freight rates, which will also have a negative effect on the earnings for the Group's combination carriers.

Factors that influence the supply of vessel capacity include, but are not limited to:

- the number of newbuilding deliveries;
- port and canal congestions;
- scrapping activity;
- vessel casualties;
- average speed of the global fleet; and
- the number of vessels that are out of service.

2.2.4 Weakening product tanker and dry bulk freight rates have had and may continue to have a negative effect on the Group's earnings

A moderate dry bulk market and weak, although recently recovering, product tanker freight rates, from which the Group derives its revenues, have negatively affected earnings over the last two years. Weak freight markets and their volatility have had a number of consequences for the shipping industry in general, including, among other things:

- the absence of ample financing for vessels;
- low activity in the second-hand market for the sale and purchase of vessels;
- low charter rates, particularly for vessels employed in the spot market;
- widespread loan covenant defaults; and
- declaration of bankruptcy by some operators and ship owners as well as charterers.

There can be no assurance that these freight markets will recover and/or the markets would not decline further and that the Group in the future will not be impacted by one or several of the abovementioned consequences.

2.2.5 Fluctuation of vessel values may result in an impairment of the book value

Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Group's vessels.

The fair market value of the Group's vessels and investment in vessel-owning companies or other ships possible to be acquired in the future may increase or decrease depending on a number of factors, including:

- the prevailing level of Panamax and Kamsarmax freight rates within the dry bulk market and of LR1 and MR freight rates within the product tanker market;

- general economic and market conditions affecting the dry bulk and product tanker industries, including competition from other companies;
- ability to renew COAs;
- ability to trade the vessels as combination carriers:
- types, sizes and ages of the combination carriers in the Group's fleet;
- supply and demand for dry bulk carriers and product tankers;
- cost of newbuildings;
- governmental or other regulations; and
- technological advances.

2.2.6 Efforts to curb greenhouse emissions, as well as their potential effects may negatively affect demand for transportation of dry bulk commodities and oil products

International and/or national efforts to curb emissions of greenhouse gases or to reduce local pollution may affect the dry bulk and product tanker markets in several different ways. Taxes or quotas on CO2 emissions will increase costs of transportation, all other things equal, and this may have a negative effect on the demand for transportation. Increased occurrences of storms, adverse currents or other extreme weather events may lead to higher costs and/or risks related to sea passages and may also increase the cost of relevant insurance. Efforts to cut emissions from coal-fired power production may reduce the demand for seaborne transportation of coal, the second most important dry bulk commodity in terms of ton mile demand.

2.2.7 Dependency of product tanker market on oil and oil products prices

The Group's return on its vessel investments is significantly affected by, among other things, volatile oil and oil products prices and may be materially adversely affected by a further decline in oil and gas exploration, development and production.

Prices are affected by numerous factors beyond the Group's control, including, but are not limited to, the following:

- worldwide demand for oil and oil products;
- the cost of exploring, developing, producing, transporting and distributing these commodities;
- expectations regarding future energy prices –both for oil and gas and other sources of energy;
- the ability of the Organization of Petroleum Exporting Countries (the "**OPEC**") to set and maintain production and impact pricing;
- level of worldwide energy production and consumption;
- international and governmental laws and regulations, including environmental protection laws and regulations;
- the development and exploitation of alternative fuels, and the competitive, social and political position of oil and gas as a source of energy compared with other energy sources;
- local and international political, economic and weather conditions; and
- political and military conflicts.

2.2.8 Fluctuation of bunker fuel prices

One of the largest expenses for transport at sea is bunker fuels. The price of bunker fuel is unpredictable and fluctuates based on events outside the Group's control, including geopolitical developments, supply and demand for oil and gas, actions of OPEC and other energy producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, bunker fuel may become much more expensive in the future, which may reduce the demand for and hence the profitability and competitiveness of shipping versus other forms of transportation, such as truck or rail. Increasing bunker fuel prices may also lead to higher working capital requirements, which may have a negative effect on the Group's liquidity.

To reduce the risk of fluctuations in bunker fuel prices, the Group may decide to hedge the bunker fuel price exposure by the use of bunker fuel swaps or options to hedge the inherent fuel oil exposure in its freight contracts or include bunker adjustment factors (BAF) in the contracts.

Bunker fuel hedging contracts only exist for a small number of major ports, such as Singapore and Rotterdam. This means that the hedging contracts will settle against bunker fuel prices in these ports and not against actual bunker fuel prices achievable in the ports the Group operates. In addition, it is not possible to either exactly quantify the bunker fuel need for a certain future voyage or to purchase hedging instruments for non-standard volumes. This means that the Group will be subject to basis risk, i.e. the risk that the Group's underlying exposure will not exactly match the exposure of the hedging contract. This basis risk may from time to time be significant, even though the size and diversification of the Group's operations mean that the risk is relatively small in aggregate and over time.

In the current and target dry/wet combination trades for the Group vessels, standard dry bulk and tanker vessels ballast one way and are laden on the other leg and receive compensation for time and fuel used on the ballast leg. The Group’s combination carriers have historically achieved and aim to get the same ballast compensation as competing standard vessels despite their efficient trading pattern with minimum ballast. In these combination trades, the Group gets a favourable exposure to bunker prices which has a positive contribution to net earnings; i.e. higher fuel prices have a positive impact on the Group’s earnings.

2.2.9 Losses arising from the inherent risks of the shipping industry, which the Group's insurance policies may not be adequate to cover

The Group procures insurance for its fleet against risks commonly insured against by vessel owners and operators, including hull and machinery insurance, war risks insurance, loss of hire and protection and indemnity insurance (which include environmental damage and pollution insurance) with the leading Protection & Indemnity Clubs and marine insurance companies in the shipping industry. There is still no assurance that the Group is adequately insured against all risks or that the insurers will pay all claims in full. Even if the insurance coverage is adequate to cover incurred losses, the Group may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, the Group may not be able to obtain adequate insurance coverage at reasonable rates for its fleet. The Group may also be subject to calls, or premiums, in amounts based not only on their own claim records but also the claim records of all other members of the protection and indemnity associations through which they receive indemnity insurance coverage for tort liability. The Group's insurance policies also contain deductibles, limitations and exclusions which, although they represent standards in the shipping industry, may nevertheless increase the Group's costs or decrease its recovery in the event of a loss.

2.2.10 Acts of piracy on ocean-going vessels could adversely affect the Group's business

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia, with dry bulk vessels and tankers particularly vulnerable to such attacks. If these piracy attacks result in regions in which the Group's vessels are deployed being characterized by insurers as "war risk" zones or Joint War Committee “War Listed Areas”, listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent the Group employs on board security guards, could increase in such circumstances. While the charterers in the Group’s COAs normally will cover such costs, the reimbursement from customers and the insurance cover may not fully cover losses from these incidents, which could have a material adverse effect on its business. Hijacking as a result of an act of piracy against the Group's vessels, or an increase in cost, or unavailability of insurance for its vessels, may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.2.11 Global and regional developments and conflicts could affect the Group's results of operation and financial condition

Past terrorist attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect the business, operating results and financial condition of the Group. Continuing conflicts, instability and other recent developments in Ukraine, the Korean Peninsula, the East China Sea, the Middle East, including Iraq, Syria, Egypt, West Africa and North Africa, and the presence of U.S. or other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. Epidemic diseases may lead to crew member illnesses, which can disrupt the operations of the Group's vessels, or to public health measures, which may prevent its vessels from calling on ports or loading or discharging cargo in the affected areas or in other locations after having visited the affected areas. These uncertainties could also adversely affect the ability to obtain additional financing on terms acceptable to the Group, or at all.

2.3 Risks related to regulations and litigation

2.3.1 The Group may become involved in claims and disputes, which may have a negative impact on the results and cash flows of the Group

As a party to several contracts and other instruments, governing complex operational, commercial and legal matters which involve significant amounts, the Group may from time to time be subject to commercial disagreements, contractual disputes, and, possibly, litigation with its counterparties, as well as insurance matters, environmental issues, and governmental claims for taxes or duties in its ordinary course of business. The Group cannot predict with certainty the outcome or effect of any current or future commercial disagreements, contractual disputes or litigation involving the Group and its counterparties or others. The Group might suffer economical and reputational damage from its involvement in claims or disputes, which could lead to material adverse change to the Group's financial condition, results of operation and liquidity, as well as the deterioration of existing customer relationships, and/or the Group's ability to attract new customers, all factors which are important for the Group's ability to continue to run its business.

2.3.2 Maritime claimants could arrest vessels operated by the Group

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against one or more of the vessels operated by the Group for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through judicial proceedings. The arrest or attachment of one or more of the vessels owned or chartered in by the Group could interrupt the cash flow of the charterer and/or the Group and require the Group to pay a significant amount of money to have the arrest lifted. In addition, in some jurisdictions, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and/or any "associated" vessel, which is any vessel owned or controlled by the same owner. Like other shipowners owning multiple vessels, the Group is exposed to claimants who may try to assert "sister ship" liability against vessels owned by the Group. A claimant may also arrest vessels chartered in by the Group even if the claimant has no claim against the Group.

The Group might suffer reputational damage from its owned or chartered vessels becoming subject to the exercise of a maritime lien, which could affect the Group unfavourably whether the maritime lien holders' claim is justified or not. This could lead to the deterioration of existing customer relationships, and/or the Group's ability to attract new customers, both factors which are important for the Group's ability to continue to run its business.

2.3.3 The Group is subject to complex laws and regulations, including environmental laws and regulations that can adversely affect its business, results of operations and financial condition

The Group's operations will be subject to numerous international and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which its vessels operate or are registered, which can significantly affect the ownership and operation of its vessels.

Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of the Group's vessels. Compliance with such laws and regulations may also require the Group to obtain certain permits or authorizations prior to commencing operations. Failure to obtain such permits or authorizations could materially impact the Group's business results of operations, financial conditions and ability to pay cash distributions by delaying or limiting its ability to get acceptance of the Group's vessels from charterers. The Group may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address pollution incidents. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject Group companies to liability without regard to whether they were negligent or at fault. Additionally, the Group cannot predict the cost of compliance with any new environmental protection and other laws and regulations that may become effective in the future.

The Company is required by various governmental agencies to obtain certain permits, licenses and certificates with respect to its operations and to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Any such insurance may not be sufficient to cover all such liabilities and it may be difficult to obtain adequate coverage on acceptable terms in certain market conditions. Claims against the Company's vessels whether covered by insurance or not may result in a material adverse effect on the Company's business, result of operations, cash flows and financial condition and the Company's ability to pay dividends, if any, in the future.

Economic sanctions can relate to the Group's business, including prohibitions on doing business with certain countries or governments, as well as prohibitions on dealings of any kind with entities and individuals that appear on sanctioned party lists issued by the United States, the E.U., and other jurisdictions (and, in some cases, entities owned or controlled by such listed entities and individuals).. For example, charterers or other parties that the Group companies have entered into contracts with may be affiliated with persons or entities that are the subject of sanctions imposed by the United States, the E.U. or other applicable jurisdictions. If a Group company determines that such sanctions require it to terminate existing contracts or if the Group company is found to be in violation of such applicable sanctions, the Company's results of operations may be adversely affected or it may suffer reputational harm.

A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the Group to liability, without regard to whether it was negligent or at fault. The Group may be required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. There can be no assurance that the Group's insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

2.3.4 Non-compliance with international safety regulations may adversely affect a vessel's insurance coverage and may result in a denial of access to, or detention in, certain ports

If the Group fails to comply with applicable safety regulations, it may be subject to increased liability, may invalidate existing insurance or decrease available insurance coverage for its affected vessels and such failure may result in a denial of access to, or detention in, certain ports.

2.3.5 Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce the Group's net cash flows and net income

The hull and machinery of every commercial vessel must be certified as being "in class" by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention (the "**SOLAS**").

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. The Group expects its vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. After a vessel ages 15 years, it must adhere to class guidelines and dock every two to three years as required, in addition to class renewal survey docking requirement every 5 years.

Compliance with the above requirements may result in significant expense. If a vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.3.6 Failure to comply with applicable anti-corruption laws, sanctions or embargoes, could result in fines, civil and/or criminal penalties, and contract of affreightment terminations and have an adverse effect on the Group's business

The Group operates vessels in a number of countries, including from time to time some developing economies, which can involve inherent risks associated with fraud, bribery and corruption and where strict compliance with anti-corruption laws may conflict with local customs and practices. As a result, the Group may be subject to risks under the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act 2010 and similar laws in other jurisdictions that generally prohibit companies and their intermediaries from making, offering or authorizing improper payments to government officials for the purpose of obtaining or retaining business.

The Group is required to do business in accordance with applicable anti-corruption laws as well as sanctions and embargo laws and regulations (including U.S. Department of the Treasury-Office of Foreign Assets Control requirements) and the Group has adopted policies and procedures, including a code of business conduct and ethics, which are designed to promote legal and regulatory compliance with such laws and regulations. However, either due to the Group's acts or omissions or due to the acts or omissions of others, including the Group's employees, agents, local sponsors or others, the Group may be determined to be in violation of such applicable laws and regulations or such policies and procedures. Any such violation could result in substantial fines, sanctions, deferred settlement agreements, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and the seizure of the Group's vessels and other assets, and might as a result materially and adversely affect the Group's business, financial condition and results of operations.

The Group's customers in relevant jurisdictions could seek to impose penalties or take other actions adverse to the Group's interests. In addition, actual or alleged violations could damage the Group's reputation and ability to do business and could cause banks and investors to view the Group negatively, and adversely affect the market for the Shares. Furthermore, detecting, investigating and resolving actual or alleged violations are expensive and can consume significant time and attention of executive and senior management regardless of the merit of any allegation. The Group may also be subject to competitive disadvantages to the extent that its competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence or using other methods that U.S. and foreign laws and regulations and the Group's own policies prohibit it from using.

*2.3.7 The Company is exposed to regulatory and enforcement risks regarding taxes. U.S. tax authorities may treat the Company as a passive foreign investment company (the "**PFIC**"), causing potential adverse U.S. federal tax consequences to U.S. holders (the "**U.S. holder**")*

A non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of "passive" income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. Passive income generally includes dividends, interest, royalties, rents, annuities, net gains from the sale or exchange of property producing such income and net foreign currency gains. For this purpose, cash is categorized as a passive asset and the Company's unbooked intangibles associated with active business activity are taken into account as a non-passive asset. The Company will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the Shares.

Based on the Company's income and assets, and the value of the Shares, the Company does not believe that it was a PFIC, for U.S. federal income tax purposes, for the taxable year ended 31 December, 2018, and does not anticipate becoming a PFIC for the current taxable year or for the foreseeable future. Nevertheless, because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of the Company's income and assets, there can be no assurance that the Company will not be a PFIC for the current taxable year or any future taxable year.

2.4 Risks related to financing

2.4.1 Existing financial risk and availability of financing

The Group had per year-end 2018 USD 146.1 million in interest bearing debt. Furthermore, the Group has financed part of the newbuilding program with debt and might finance its future investments through debt. Borrowings and leverage normally generate interest costs which may cause significant negative impact to the Group's financial accounts. Repayment of debt may in the future be challenging if earnings deteriorate and cause the Group to enter into bankruptcy proceedings.

Debt facilities impose operating and financial restrictions on the Group, which may prevent the Group from capitalizing on business opportunities or adversely affect the Group's ability to operate its business. Any new sources of financing are subject to conditions in the credit markets, which are currently volatile. There can be no assurance that the Group will be able to procure new financing or that the terms of any new financing will be favourable. If the Group is unable to procure new financing or the terms of any new financing is less favourable, the results of operations or financial condition could adversely be affected and there could also be a risk that the Group is forced to enter into bankruptcy proceedings.

Weak financial markets may result in dysfunctional credit markets and restrict the availability of debt finance to the Group's operations. The resultant lack of available credit and/or higher financing costs and more onerous terms may materially impact on the performance of certain investments with a potential adverse impact on both working capital and term debt availability and on exit options.

2.4.2 Interest rate and currency fluctuations

The Group generates all revenue in U.S. dollars (USD), while a part of administrative expenses are denominated in Norwegian Krone and a portion of the ship operating and administrative expenses are denominated in currencies other than U.S. dollars or Norwegian Krone, e.g. Euro (EUR) and Australian dollars (AUD). This difference could lead to fluctuations in net income due to changes in the value of the USD relative to the other currencies, in particular the Norwegian Krone (NOK) and EUR. Expenses incurred in currencies against which the USD falls in value can increase. A weaker USD could lead to higher expenses payable. The Group may mitigate the currency risk through the use of financial derivatives. Any future use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the notional amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results. See also clause 2.4.3 below.

The interest payments for bank debt are based on LIBOR + a margin and are hence exposed to fluctuations in US interest rates. A higher US interest rate will increase interest costs. Part of this exposure has been secured by interest rate swaps and other interest rate derivatives.

2.4.3 Hedging transactions

The Group may engage in certain hedging transactions which are intended to reduce the currency, interest rate, fuel and freight exposure; however, there would normally be no obligation to enter into any such transactions. Any such hedging transactions may be imperfect, leaving the Group indirectly exposed to some risk from the position that was intended to be protected. The successful use of hedging strategies depends upon the availability of a liquid market and appropriate hedging instruments and there can be no assurance that the underlying subsidiaries will be able to close out a position when deemed advisable.

2.4.4 Any relevant change in tax laws, regulations, or treaties, or relevant interpretations thereof, for any country in which the Group operates or earns income or is considered to be a tax resident, may result in a higher effective tax rate on the Group's worldwide earnings, which could have a material impact on the Group's earnings and cash flows from operations

The Group operates in many countries worldwide. As such, the Group is subject to changes in applicable tax laws, regulations or tax treaties, and the interpretation thereof in the various countries in which the Group operates or earn income or are deemed to be a tax resident. Any such change may result in a materially higher effective tax rate on the Group's earnings and could have a material impact on the Group's financial results.

The shipowning part of the Group operates within the Norwegian tonnage tax regime. There is a risk that these favourable tax regulations will be modified in the future, and/or that the Norwegian tonnage tax regime no longer will be applicable to any of the Group companies due to new requirements and/or changes in the Group structure.

The Group's income tax returns are subject to examination and review. If any tax authority successfully challenges the Group's intercompany pricing policies or operating structures, or if any tax authority interprets a treaty in a manner that is adverse to the Group's structure, or if any tax authority successfully challenges the taxable presence of any of the key subsidiaries in a relevant jurisdiction, or if the Company loses a key tax dispute in a jurisdiction, the Company's effective tax rate on worldwide earnings may increase substantially, which could have a material impact on the Company's earnings and cash flows from operations.

Transactions taking place between the companies in the Group and related companies must be carried out in accordance with arm's length principles in order to avoid adverse tax consequences. There can be no assurance that the tax authorities will conclude that the Group's transfer pricing policies calculates correct arm's length prices for intercompany transactions, which could lead to an adjustment of the agreed price, which would in turn lead to increased tax cost for the Group.

2.4.5 The Group is exposed to fluctuations in working capital

The Group is depending on having available funds to support working capital requirements for its business. The adequacy of available funds will depend on many factors, including but not limited to the further growth of the business, capital expenditures, changes in working capital, payment terms and market development (including but not limited to freight rates, time charter rates and bunker fuel price).

The Group may therefore in the future be dependent on obtaining financing and/or new equity to ensure adequacy of available funds to support the business. It is not certain that the Group will be able to obtain future financing on acceptable terms and conditions, nor that the Group will be able to raise new capital in the equity markets. If the Group is unable to obtain future debt and/or equity financing, it may have a material adverse effect on the Group's business, financial condition, results of operation and liquidity.

2.5 Risks related to the Listing and the Shares

2.5.1 Investment and trading risks

Any investment in the Company's Shares is associated with an element of risk. The Group operates in markets featuring open and fierce competition, and a number of factors outside the Company's control may affect the Group's performance. Reference is made to Section 2.1 above.

2.5.2 The Company will incur increased costs upon admission to trading on Oslo Axess

As a publicly traded company with its shares listed on Oslo Axess, the Company will be required to comply with the reporting and disclosure requirements and with corporate governance requirements applicable for companies listed on the exchange. The Company will incur legal, accounting and other expenses to comply with these and other applicable rules and regulations. The Company anticipates that its incremental general and administrative expenses as a publicly traded company will include, among other things, costs associated with annual and quarterly reports to shareholders, shareholders' meetings, investor relations, incremental director and officer liability insurance costs and officer and director compensation. Any such increased costs, individually or in the aggregate, could have a material and adverse effect on the Company's business, operations, financial position, results of operation, cash flow and/or prospects.

2.5.3 The market price of the Shares may fluctuate

The trading volume and price for the Shares may fluctuate significantly and may not always reflect the underlying asset value of the Company. A number of factors outside the Company's control may impact its performance and the price of the Shares, including but not limited to, adverse business and sector developments, changes in market sentiment regarding the Shares and/or the sectors the Group is operating in, the operating and share price performance of other companies in the industry in which the Company operates, changes in financial estimates and investment recommendations or ratings. Changes in market sentiment may be due to speculation about the Company's business in the media or investment community, changes to the Company's profit estimates (if such have been provided); the publication of research reports by analysts and changes in general market conditions. If any of these factors occur, it may have a material adverse effect on the pricing of the Shares.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Company; and/or without regard to the operating performance of the Company.

2.5.4 The Company's major shareholders own a significant percentage of Shares and are able to exercise significant influence over matters subject to shareholder approval

As of the date of this Prospectus, Klaveness Ship Holding AS and EGD Shipholding AS holds approximately 54.0% and 18.4%, respectively, of the Shares, and are accordingly able to exert a certain degree of influence over the Company's management and affairs and over matters requiring shareholder approval, including the election of the Company's Board of Directors and approval of significant corporate transactions. As significant shareholders, the major shareholders may also decide to sell large blocks of Shares, thereby reducing the market price of the Shares as described in the risk factor 2.5.5 below.

This concentration of ownership could also have the effect of delaying or preventing a change in control or otherwise discouraging a potential acquirer from attempting to obtain control of the Company, which in turn could have a material adverse effect on the market value of the Shares.

2.5.5 Future sales, or the possibility of future sales of substantial number of Shares could affect the market price of the Shares

The Company cannot predict what effect, if any, future sales of the Shares, or the availability of Shares for future sales, will have on the market price of the Shares. Sales of substantial amounts of the Shares in the public market or the perception that such sales could occur, could adversely affect the market price of the Shares, making it more difficult for holders to sell their Shares or the Company to sell equity securities in the future at a time and price that they deem appropriate.

2.5.6 Shareholders not participating in future offerings of Shares or other equity investments will be diluted

Shareholders not participating in future offerings of Shares or other equity instruments will be diluted. Under Norwegian law, unless otherwise resolved or authorized at the Company's general meeting of shareholders, existing Shareholders in the Company have pre-emptive rights proportionate to the aggregate amount of the Shares they hold with respect to offered shares and other equity investments issued by the Company for cash consideration. However, shareholders not able or that choose not to exercise such pre-emptive rights will experience dilution of their shareholding.

The exercise of pre-emptive rights by certain shareholders not residing in Norway may be restricted by applicable law, practice or other considerations, and such shareholders may not be entitled to exercise such rights, unless the rights and Shares are registered or qualified for sale under the relevant legislation or regulatory framework. Shareholders in jurisdictions outside Norway who are not able or not permitted to exercise their pre-emptive rights in the event of a future equity or other offering may suffer dilution of their shareholdings.

Furthermore, the general meeting of the Company may in the future pass resolutions to deviate from the pre-emptive rights of its shareholders.

2.5.7 Future issuances of shares or other securities may dilute the holdings of shareholders and could materially affect the price of the Shares

It is possible that the Company in the future may decide to issue additional Shares or other securities in order to finance new capital-intensive projects, in connection with unanticipated liabilities, liquidity needs, continued downturn in the Group's markets or expenses or for any other purposes, see Section 2.1 "Risks related to the business of the Group". If the Company raises additional funds by issuing additional equity securities, holdings of existing shareholders may be diluted. Future subscription of shares may be limited to certain nationals outside the United States.

2.5.8 Investors may not be able to exercise their voting rights for Shares registered in a nominee account

Beneficial owners of Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote such Shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meeting of shareholders. The Company cannot guarantee that beneficial owners of Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.

2.5.9 The ability to bring action against the Company may be limited under the Norwegian law

The Company is a public limited company incorporated under the laws of Norway. The rights of holders of Shares are governed by Norwegian law and by the Articles of Association. These rights differ from the rights of shareholders in other jurisdictions, e.g. typical U.S. corporations. In particular, Norwegian law limits the circumstances under which shareholders of Norwegian companies may bring derivative actions. Under Norwegian law, any action brought by the Company in respect of wrongful acts committed against the Company takes priority over actions brought by shareholders in respect of such acts. In addition, it may be difficult to prevail in a claim against the Company under, or to enforce liabilities predicated upon, foreign securities laws. For these reasons, investors may encounter difficulties in serving summons and other documents relating to court proceedings to any of the entities within the Group and its management. For the same reasons, it may be more difficult and more costly for investors to obtain judgments against, and enforce judgments issued against, the entities within the Group and its directors and management.

2.5.10 The transfer of Shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The Shares have not been registered under the U.S. Securities Act or any U.S. state or territory securities laws or any other jurisdiction outside Norway and are not expected to be registered in the future. As such, the Shares are "restricted securities" within the meaning of Rule 144 under the U.S. Securities Act and may not be deposited into any unrestricted depositary receipt facility in the United States, unless at the time of deposit the shares are no longer "restricted securities". The Shares may not be reoffered, resold, pledged or otherwise transferred except (a) under a registration statement that has been declared effective under the U.S. Securities Act; (b) outside the United States in accordance with Rule 903 or Rule 904 of Regulation S, as applicable or (c) pursuant to another applicable exemption from the registration requirements of the U.S. Securities Act.

2.5.11 The Company's ability to pay dividends is dependent on the availability of distributable reserves and the willingness of the Company to pay any dividends in the future

Norwegian law provides that any declaration of dividends must be adopted by the shareholders at a general meeting. Dividends may only be declared to the extent that the Company has distributable funds and the Company's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves, the Company is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries. As a general rule, the general meeting may not declare higher dividends than the Board of Directors has proposed or approved. If, for any reason, the general meeting does not declare dividends in accordance with the above, a shareholder will, as a general rule, have no claim in respect of such non-payment, and the Company will, as a general rule, have no obligation to pay any dividend in respect of the relevant period.

Distributions from the Company, if any, will normally be made in cash. The distributions will not be predictable and will depend on the realization of or distributions from underlying investments. Investors should not expect any or any level of distributions from the Company.

2.5.12 Investors in the U.S. may have difficulty enforcing any judgment obtained in the U.S. against the Company or the Company's Board members or executive officers in Norway

The Company is incorporated under the laws of Norway and all of its current Board members and executive officers reside outside the U.S. Furthermore, although certain of the Group's vessels may from time to time pass through U.S. waters, substantially all of the Company's assets and substantially all of the assets of the Company's Board members and executive officers are from time to time located outside the U.S. As a result, investors in the U.S. may be unable to effect service of process upon the Company or its Board members and executive officers or enforce judgments predicated upon the civil liability provision of the federal securities laws of the U.S. The U.S. and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters.

2.5.13 Exchange rate fluctuations could adversely affect the value of the Shares and any dividends paid on the Shares for an investor whose principal currency is not NOK

The Shares will be priced and traded in NOK on Oslo Axess. Any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder and will be paid to the shareholders through the VPS Registrar. Shareholders registered in the VPS who have not supplied their VPS account operator with details of their bank account will not receive payment of dividends unless they register their bank account details on their VPS account, and thereafter inform the VPS Registrar of the account details. The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate(s) on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividends will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company. Exchange rate movements of NOK will therefore affect the value of these dividends and distributions for investors whose principal currency is not NOK. Further, the market value of the Shares as expressed in foreign currencies will fluctuate in part as a result of foreign exchange fluctuations. This could affect the value of the Shares and of any dividends paid on the Shares for an investor whose principal currency is not NOK.

2.5.14 Market yield rates could influence the price of the Shares

One of the factors that could influence the price of the Shares is its annual dividend yield as compared to yields on other financial instruments. Thus, an increase in market interest rates will result in higher yields on other financial instruments, which could adversely affect the price of the Shares.

3 RESPONSIBILITY FOR THE PROSPECTUS

This Prospectus has been prepared in connection with the Listing of the Shares on Oslo Axess.

The members of the Board of Directors accept responsibility for the information contained in this Prospectus and confirm that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

21 May 2019

The Board of Directors of
Klaveness Combination Carriers ASA

Lasse Kristoffersen
Chairperson

Morten Skedsmo
Director

Magne Øvreås
Director

Stephanie Sanvy Wu
Director

Lori Wheeler Næss
Director

4 GENERAL INFORMATION

This Section provides general information on the presentation of financial and other information as well as the use of forward-looking statements in this Prospectus. You should read this information carefully before continuing.

4.1 Date of Information

The information contained in this Prospectus is current as at the date of the Prospectus and is subject to change or amendment without notice. In accordance with section 7-15 of the Norwegian Securities Trading Act, significant new factors, material mistakes or inaccuracies relating to the information included in this Prospectus, which are reasonably likely to affect the assessment of the Shares between the time of approval of this Prospectus by the Norwegian FSA and the Listing, will be included in a supplement to this Prospectus. Except as required by applicable law and stock exchange rules, the Company does not undertake any duty to update the information in this Prospectus. The publication of this Prospectus shall not under any circumstances create any implication that there has been no change in the Company's affairs or that the information herein is correct as of any date subsequent to the date of this Prospectus.

4.2 Other important investor information

The Company has furnished the information in this Prospectus. The Managers make no representation or warranty, whether express or implied, as to the accuracy, completeness or verification of the information in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers, whether as to the past or the future. The Managers disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, which they might have in respect of this Prospectus or any such statement.

The Managers are acting exclusively for the Company and no-one else in connection with the Listing. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Listing and will not be responsible to anyone other than the Company for neither providing the protections afforded to their respective clients, nor for giving advice in relation to the Listing or any transaction or arrangement referred to herein.

None of the Company, the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any offeree or purchaser of the Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

Investing in the Shares involves a high degree of risk. See Section 2 "Risk Factors".

In connection with the Listing, each of the Managers and any of their respective affiliates, acting as an investor for its own account, may take up Shares and in that capacity may retain, purchase or sell for its own account such securities and any Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Listing. Accordingly, references in the Prospectus to Shares being placed should be read as including any offering or placement of Shares to any of the Managers or any of their respective affiliates acting in such capacity. None of the Managers intends to disclose the extent of any such investment or transactions other than in accordance with legal or regulatory obligation to do so. In addition, certain of the Managers or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Managers (or their affiliates) may from time to time acquire, hold or dispose of Shares.

4.3 Presentation of financial and other information

4.3.1 Financial information

The Company's shipowning subsidiary, KCC Shipowning AS (KCCS), has prepared audited consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union as of and for the years ended 31 December 2016 and 2017. This will provide a sufficient picture of the activities that today constitutes KCC as the CABU vessels were organised under KCCS in the years 2016 and 2017. The consolidated financial statements for KCCS for the years ended 31 December 2016 and 2017 (the "**Financial Statements**") are included in Appendix C of this Prospectus and have been audited by EY, as set forth in their auditor's reports included herein. The Company has further prepared consolidated financial statements in accordance with IFRS for the year ended 31 December 2018 (the "**Financial Statements**"), included in Appendix B of this Prospectus. The Financial Statements for 2018 have been audited by EY in accordance with IFRS as endorsed by EU.

The Company presents its financial information in USD (presentation currency), which is also the functional currency for all companies in the Group.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly.

4.3.2 Industry and Market Data

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends, market positions, industry trends, competition in the industry in which the Group operates and similar information are estimates based on data compiled by professional organisations, consultants and analysts; in addition to market data from other external and publicly available sources, including market data from Clarksons Research Services Limited (a company owned by Clarksons PLC, the ultimate parent company of Clarksons Platou Securities), as well as the Company's knowledge of the markets. Market data from Clarksons Research Services Limited is not publicly available, but can be obtained against payment by contacting Clarksons Research Services Limited, London.

While the Company has compiled, extracted and reproduced such market and other industry data from external sources, the Company has not independently verified the correctness of such data. Thus, the Company takes no responsibility for the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above-mentioned data.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

In addition, although the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Company cannot assure prospective investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. The Company does not intend to or assume any obligations to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, prospective investors should be aware that data in this Prospectus and estimates based on these data may not be reliable indicators of future results.

4.4 Alternative Performance Measures (APMs)

The Company does not use any APM's in the Financial Statements attached in Appendix B and/or C. However certain APM's are used in this prospectus which have been defined below. The Company is currently working on relevant APM's to be used in reporting going forward.

EBITDA is defined as "Earnings before interest, tax, depreciation and amortization" and equals to Operating profit before depreciation in the Income Statement. The Company has included EBITDA as an APM because management believes that the measure provides useful information regarding the Company's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBIT is defined as "Earnings before interest and tax" and equals to Operating profit after depreciation in the Income Statement. The measure is commonly used and shows operating performance of the Group.

NIBD as of the end of a period is equal to the total non-current and current interest-bearing liabilities, less total cash and cash equivalents. NIBD is used to measure gearing ratio (NIBD-to-EBITDA) which is a relevant covenant for KCC Shipowning AS on a consolidated basis in the bank loan facilities and a measurement of financial leverage for the Group.

Below is a reconciliation of EBITDA, EBIT and NIBD on a consolidated basis, for the years ended 31 December 2018, 2017 and 2016.

USD '000	31.12.2018	31.12.2017	31.12.2016
Total revenues, vessels	101 824	46 235	41 326
Voyage expenses	(45 431)	-	-
Net revenues from operations of vessels	**56 393**	**46 235**	**41 326**
Operating expenses, vessels	(21 599)	(21 199)	(16 639)
Loss from sale of assets	-	-	(71)
Group commercial and administrative services	(3 618)	(1 167)	(1 333)
Tonnage tax	(119)	(112)	(81)
Other operating and administrative expenses	(300)	(170)	(48)
EBITDA	**30 757**	**23 587**	**23 154**
Ordinary depreciation	(16 840)	(16 867)	(12 812)
Impairment loss (-) / reversal	-	-	(194)
EBIT	**13 917**	**6 720**	**10 149**

Net interest-bearing debt (NIBD)	31.12.2018	31.12.2017	31.12.2016
Mortgage debt, non-current	95 746	94 765	80 574
Long-term liabilities to related parties	36 000	-	-
Financial liabilities (hedge)	38	167	-
Short term mortgage debt	14 372	20 549	19 818
Other interest bearing liabilities	2 172	-	-
Bank deposit	(88 263)	(51 538)	(64 908)
Net interest bearing debt	**60 065**	**63 943**	**35 484**

4.5 Cautionary note regarding forward-looking statements

This Prospectus includes forward-looking statements that reflect the Company's current views with respect to future events and anticipated financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" and, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear, among other areas, in the following sections in this Prospectus, Section 7 "Industry and Market Overview", Section 8 "Business Overview" and Section 11 "Selected Financial and Other Information", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, financial strength and position of the Group, operating results, liquidity, prospects, growth, the implementation of strategic initiatives, as well as other statements relating to the Group's future business development and financial performance, and the industry in which the Group operates, such as, but not limited to, statements relating to:

- the Group's strategy, outlook and growth prospects;
- the Group's operational and financial objectives, including statements relating to expectations for the financial year 2019 and statements as to the Company's medium or long-term growth, margin, and dividend policy;
- the competitive nature of the business in which the Group operates, the competitive pressure and competitive environment in general;
- earnings, cash flow, dividends and other expected financial results and conditions;
- the expected growth and other developments of the industries in which the Group operates;
- the Company's planned investments;
- forecasts;
- the Company's liquidity, capital resources, capital expenditures, and access to funding; and
- economic, legal, social and political developments in the markets in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual financial position, operating results and liquidity, and the development of the industry in which the Company operates, may differ materially from those made in, or suggested by, the forward-looking statements contained in this Prospectus. The Company cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve, and are subject to, known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements.

The risks that the Company believes could affect the Group's future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 2 "Risk Factors".

The information contained in this Prospectus, including the information set out under Section 2 "Risk Factors", identifies additional factors that could affect the Group's financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all sections of this Prospectus and, in particular, Section 2 "Risk Factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which the Group operates when considering an investment in the Company.

These forward-looking statements speak only as at the date on which they are made. The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

4.6 Other Information

In this Prospectus, all references to "NOK" are to the lawful currency of Norway, all references to "EUR" are to the lawful currency of the EU, all reference to "AUD" are to the lawful currency of the Commonwealth of Australia, and all references to "U.S. dollar" or "USD" are to the lawful currency of the United States of America.

In this Prospectus, all references to "EU" are to the European Union and its member states as of the date of this Prospectus; all references to "**EEA**" are to the European Economic Area and its member states as of the date of this Prospectus; and all references to "US", "U.S." or "United States" are to the United States of America.

4.7 Exchange rates

The following table sets out the annual average of monthly rates in NOK exchange rate against USD over the years ended 31 December 2018, 2017, 2016, 2015 and up until the date of this Prospectus.

Fiscal year	**Average**	**High**	**Low**	**Period end**[1]
2015	8.0739	8.8090	7.3593	8.8090
2016	8.3987	8.7294	7.9766	8.6200
2017	8.2630	8.6781	7.7121	8.2050
2018	8.1338	8.7631	7.6579	8.6885
2019	8.5913	8.7892	8.4108	8.7288

[1] 14 May 2019 is the last recorded date by the Central Bank of Norway for the financial period of 2019 as per the date of the Prospectus, 31 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2015, 30 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2016, 29 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2017 and 31 December is the last recorded date by the Central Bank of Norway for the financial period ending 31 December 2018.

5 REASONS FOR THE LISTING

The Company believes that the Listing will:

- facilitate raising of necessary equity needed to fund further CLEANBU newbuilding options and/or other investment opportunities;
- enable access for the Company to specialized capital markets to facilitate continued growth;
- facilitate the use of Shares or Securities as currency in mergers and acquisitions transactions;
- attract a wider investor base;
- enhance the Company's profile with investors, business partners, vendors and customers and increase public credibility; and
- create a more liquid market for the Company's Shares.

6 DIVIDENDS AND DIVIDEND POLICY

6.1 Dividend policy

In deciding whether to propose a dividend and in determining the dividend amount, the Board of Directors will comply with the legal restrictions set out in the Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (the "**Norwegian Public Limited Companies Act**") (see Section 0 "The Company is committed to continue to execute a dividend policy in line with the historical track record of the ship owning companies of the Group. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of operating cash flow less debt service and maintenance capex as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for and the Group's financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

Legal constraints on the distribution of dividends") and take into account the Company's capital requirements, including capital expenditure requirements, the Company's financial condition, general business conditions and any restrictions that its contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintenance of appropriate financial flexibility. Except in certain specific and limited circumstances set out in the Norwegian Public Limited Companies Act, the amount of dividends paid may not exceed the amount recommended by the Board of Directors.

The proposal to pay a dividend in any year is, in addition to the legal restrictions set out in Section 0 "The Company is committed to continue to execute a dividend policy in line with the historical track record of the ship owning companies of the Group. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of operating cash flow less debt service and maintenance capex as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for and the Group's financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

Legal constraints on the distribution of dividends", further subject to any restrictions in the Group's borrowing arrangements or other contractual arrangements in place at the time.

The Company is committed to continue to execute a dividend policy in line with the historical track record of the ship owning companies of the Group. Although there can be no assurance of any such distribution being made, the Company currently intends to distribute a minimum 80% of operating cash flow less debt service and maintenance capex as dividends to its shareholders, provided that all known, future capital and debt commitments are accounted for and the Group's financial standing remains acceptable. The Company further intends for any new material investments to be subject to separate funding through equity, debt or otherwise.

6.2 Legal constraints on the distribution of dividends

Dividends may be paid in cash or in some instances as dividends in kind. The Norwegian Public Limited Companies Act provides the following constraints on the distribution of dividends applicable to the Company:

- Section 8-1 of the Norwegian Public Limited Companies Act provides that the Company may distribute dividends to the extent that the Company's net assets following the distribution are sufficient to cover (i) the Company's share capital, (ii) the Company's reserve for valuation variances, and (iii) the Company's reserve for unrealised gains. Any receivables of the Company which are secured through a pledge over the Company's Shares and the aggregate amount of credit and security which, pursuant to Sections 8-7 through to 8-10 of the Norwegian Public Limited Companies Act fall within the limits of distributable equity are to be deducted from the distributable amount;

- the calculation of the distributable equity shall be made on the basis of the balance sheet included in the approved annual accounts for the previous financial year, provided, however, that the registered share capital as at the date of the resolution to distribute dividends shall be applied. Following approval of the annual accounts for the last financial year, the General Meeting may also authorise the Board of Directors to declare dividends on the basis of the Company's annual accounts. Dividends may also be resolved by the General Meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date no older than six months before the date of the General Meeting's resolution; and

- dividends can only be distributed to the extent that the Company’s equity and liquidity following the distribution is considered sound in light of the risk and scope of the Company’s business.

The Norwegian Public Limited Companies Act does not provide any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 16 “Taxation”.

6.3 Manner of dividend payments

Any future payments of dividends on the Shares will be denominated in the currency of the bank account of the relevant shareholder and will be paid to the shareholders through the VPS Registrar. Shareholders registered in the VPS who have not supplied their VPS account operator with details of their bank account will not receive payment of dividends unless they register their bank account details on their VPS account, and thereafter inform the VPS Registrar of the account details.

The exchange rate(s) that is applied when denominating any future payments of dividends to the relevant shareholder's currency will be the VPS Registrar's exchange rate(s) on the payment date. Dividends will be credited automatically to the VPS registered shareholders' accounts, or in lieu of such registered account, at the time when the shareholder has provided the VPS Registrar with their bank account details, without the need for shareholders to present documentation proving their ownership of the Shares. Shareholders' right to payment of dividends will lapse three years following the resolved payment date for those shareholders who have not registered their bank account details with the VPS Registrar within such date. Following the expiry of such date, the remaining, not distributed dividend will be returned from the VPS Registrar to the Company.

6.4 Dividend payments

On 15 April 2019 the Company paid dividends in amounts of USD 0.035 per share to its shareholders, in aggregate USD 1,417,920. Other than this, the Company has not previously distributed any dividends to its shareholders.

7 INDUSTRY AND MARKET OVERVIEW

This Section discusses the industry and markets in which the Group operates. Certain of the information in this Section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organisations, consultants and analysts; in addition to market data from other external and publicly available sources, and the Company's knowledge of the markets, see Section 4 "General Information".

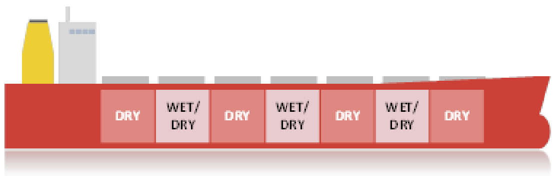
The following discussion contains forward-looking statements, see Section 4.5 Cautionary note regarding forward-looking statements". Any forecast information and other forward-looking statements in this Section are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, see Section 2 "Risk Factors" for further details.

7.1 KCC fleet overview

The Group currently owns nine (9) caustic soda-dry bulk combination carriers ("**CABU**"), one (1) clean petroleum product-dry bulk combination carrier ("**CLEANBU**") on water along with seven (7) CLEANBU combination carriers on order with expected deliveries through 2019, 2020 and 2021, and outstanding options for six (6) additional CLEANBU newbuildings from Jiangsu New YZJ shipyard in China with expected deliveries throughout 2021 and 2022; see Section 8.5 "Business description".

The CABUs have a capacity range of approximately 72,500 deadweight tonnage (**"Dwt"** or **"dwt"**) to approximately 80,400 dwt with seven cargo holds, equivalent to the carrying capacity of a Panamax bulk carrier on the dry leg and an MR product tanker on the wet leg of a roundtrip voyage. They have the capacity to transport wet cargoes such as caustic soda solution (CSS), floating fertilizer (UAN) and molasses as well as all types of dry bulk commodities. While all cargo holds can carry dry commodities, three cargo holds are capable of transporting wet commodities. The CABUs have a larger caustic soda cargo intake than their main competitors, the MR tankers, and hence a higher earnings potential in CSS trades. The figures below illustrate the wet/dry cargo flexibility and capacity composition of CABU vessels. Please see Section 7.2 "Overview of the dry bulk shipping market" for additional information on the vessel specifications.

Figure 1: Capacity of CABU vessels in types of cargo flexibility



Source: Company

Figure 2: Comparative capacity of CABU to standard vessels

Source: Company

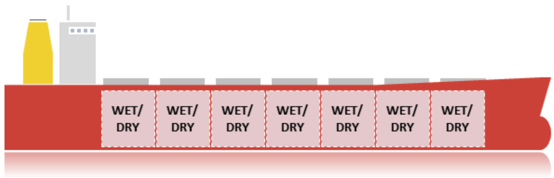
The CABUs typically transport CSS into Australia and Brazil, and transport dry bulk products northbound to the US, the Middle East and Far East. Australia and Brazil, as regions with large and stable exports of dry commodities, enable the combination of CSS and dry cargoes. The figure below depicts the main trade lanes for the CABUs. Prior to delivery of the three CABU vessels in 2016 and 2017, the fleet of six CABU vessels transported caustic soda from the Middle East and Far East to Australia and returned with dry bulk products. In 2014, as part of the fleet expansion plan, the CABUs entered the caustic soda transportation market in the Atlantic, servicing Hydro Alunorte and Alcoa Alumar in Brazil with caustic soda mainly from the US Gulf and returning with dry bulk products. The CABUs today transport approximately 40-45% of caustic soda import volumes into Brazil and Australia.

Figure 3: Key trade lanes for the CABUs

Source: Company

The CLEANBUs have a capacity of approximately 82,500-83,500 dwt with seven cargo holds, equivalent to the carrying capacity of a Kamsarmax bulk carrier on the dry leg and 10% higher capacity than a standard LR1 product tanker on the wet leg of a roundtrip voyage. All seven cargo holds are capable of carrying both wet and dry commodities and can transport clean petroleum products (CPP), and other heavy liquid cargoes such as CSS, UAN and molasses as well as all types of dry bulk products. The figures below illustrate the wet/dry cargo flexibility and capacity composition of CLEANBU vessels.

Figure 4: Capacity of CLEANBU vessels in types of cargo flexibility



Source: Company

Figure 5: Comparative capacity of CLEANBU to standard vessels

Source: Company

In addition to the CABU trade lanes shown above, the CLEANBUs will be able to transport CPP into dry bulk export areas such as Australia, Brazil, Chile and Peru, while transporting dry bulk cargoes back into CPP loading areas such as US Gulf, Middle East and Far East.

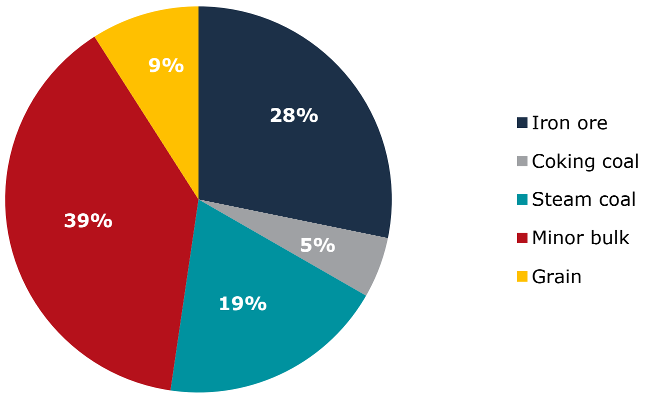
Please see Section 8.5.2 "The fleet" for more information on the Company's vessels.

As earnings for the Group's combination carriers are driven by the global dry bulk, product tanker, and bunker fuel markets, this section will address these three markets and in addition address the caustic soda market which is the main wet product transported on the CABU vessels.

7.2 Overview of the dry bulk shipping market

The dry bulk shipping market is a diverse and global market dealing with the seaborne transportation of major and minor dry bulk commodities. Iron ore, coal and grain are considered as the major bulk commodities, while alumina / bauxite, steel products, forest products, fertilizers, and others constitute the minor bulk commodities. Seaborne shipment volumes of many of these commodities are correlated to general economic activity and follow several patterns reflecting geographical, economical, and seasonal differences. The figure below illustrates the composition of seaborne bulk products being transported in 2018.

Figure 6: Composition of seaborne dry bulk product transportation



Source: Clarksons Research Services Limited, Shipping Intelligence Network[2]

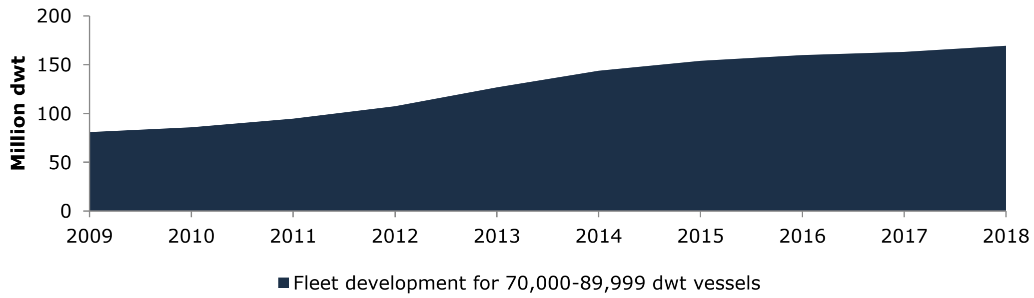
The fleet used to carry these dry bulk commodities consists of oceangoing vessels of various sizes and characteristics. Larger vessels will benefit from economies of scale and are best suited for long hauls between large ports, while smaller vessels have the flexibility to enter smaller ports.

In terms of carrying capacity (72,500-83,500 dwt), CABU and CLEANBU combination carriers compete against a standard Panamax and Kamsarmax vessel, respectively, on the dry bulk legs in the dry-wet combination trading pattern.

Panamax vessels are bulk carriers primarily used for transportation of iron ore, coal, grain, and some minor bulks like bauxite and alumina, with carrying capacity of 65,000-99,999 dwt. Normally the Panamax category is split into three subsets – standard Panamax vessels of 65,000 to 78,999 dwt, Kamsarmax vessels of 79,000 to 84,999 dwt, and Post -Panamax vessels of 85,000 to 99,999 dwt. Standard Panamax and Kamsarmax vessels have a breadth (beam) of around 32.3 meters and they are the largest bulk carriers that can pass through the old locks of the Panama Canal. The large majority of Panamax vessels are gearless and generally rely on port facilities for loading and discharging.

Figure 7 illustrates the development of bulk carrier fleet within the range of 70,000 to 89,000 dwt in the past decade.

Figure 7: Development of bulk carrier fleet within the 70K-89K dwt range



Source: Clarksons Research Services Limited, Shipping Intelligence Network

7.3 Key drivers for the dry bulk shipping market

7.3.1 Demand and supply balance of the dry bulk shipping market

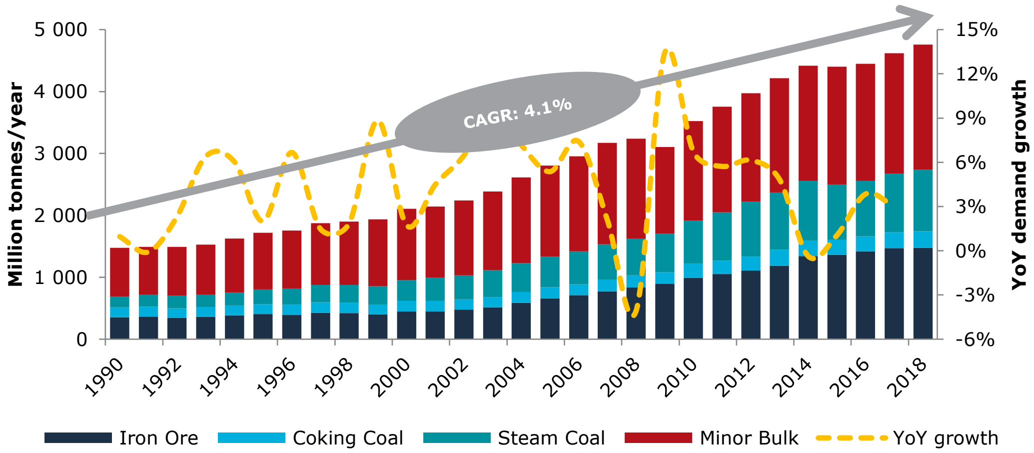
Trade of dry bulk commodities is affected both by the global and regional economic activities, as it follows economic, political, regulatory, and seasonal trends. In this sense, the recovery in 2017 and 2018 in dry bulk trade has been in

[2] The Shipping Intelligence Network database is owned by Clarksons Research Services Limited, a database accessible for payable clients of the Clarksons PLC group only. See clause 4.3.2.

line with the world economy performing relatively well compared to past years. The dry bulk trade growth is estimated to have expanded by a fairly moderate 2.4% in full year 2018, with volumes reaching 5.2 billion tonnes. Trade in terms of tonne-miles looks to have grown by a slightly healthier 2.8%. Real tonnage demand is estimated to have increased at a greater rate, due to longer distances, increasing ballasting factors and higher congestion.

Demand for transportation of bulk commodities has varied considerably over time, with an uneven upwards trend. Figure 8 below provides an illustration of demand growth between the years 1990-2018. Additionally, it shows the composition of seaborne bulk trade across different products over the years and a compounded annual growth rate of 4.1% since 1990. While there is uncertainty in respect of future development, there is reason to believe that a modest growth can be expected (around 3% for 2019), assuming no major setback in global economies. These uncertainties can be driven by government regulations, international regulations, economic instability and other factors that are difficult to predict.

Figure 8: Historical development of seaborne dry bulk transportation (1990-2018)

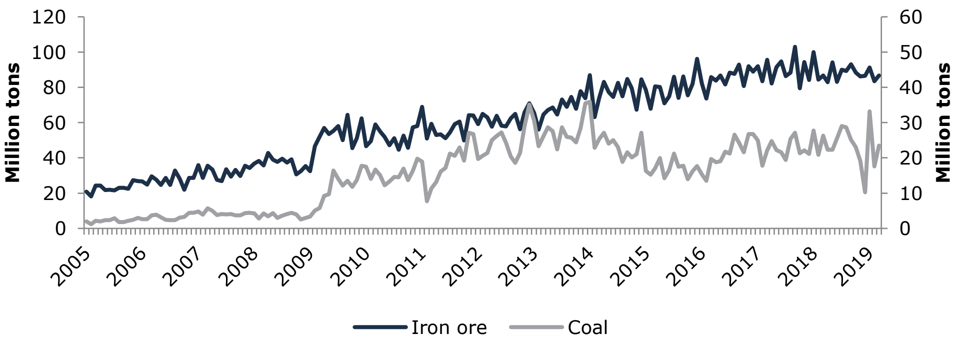


Source: Clarksons Research Services Limited, Shipping Intelligence Network

Provisional customs data show that total Chinese coal imports fell 47% month-over-month and 55% year-over-year to just 10.2 million tonnes in December 2018, the lowest level since February 2011; while China's seaborne iron ore imports fell 1% to 1,047 million tonnes annually, reflecting the first decline since 2010. The sharp fall in coal imports at the end of the year reflect strict import restrictions introduced by the government in mid-November in order to support the domestic coal mining industry and prevent prices from falling as domestic production expands rapidly, however statistics have recovered in early 2019 once delayed cargo was able to past the port inspections. However; on a global scale, iron ore trade seems to have remained more in balance as several countries have imported higher volumes as compared with the same period last year. Similarly, coal imports to South Korea, the Philippines, Thailand, Vietnam and Malaysia saw in total significant increases, mainly driven by expanding capacity in coal-fired power plants. Indian coal imports have also recovered back to 2014 levels after three years of decline.

Figure 9 below illustrates historical iron ore and coal imports to China since January 2005 to March 2019.

Figure 9: Historical iron ore and coal imports into China



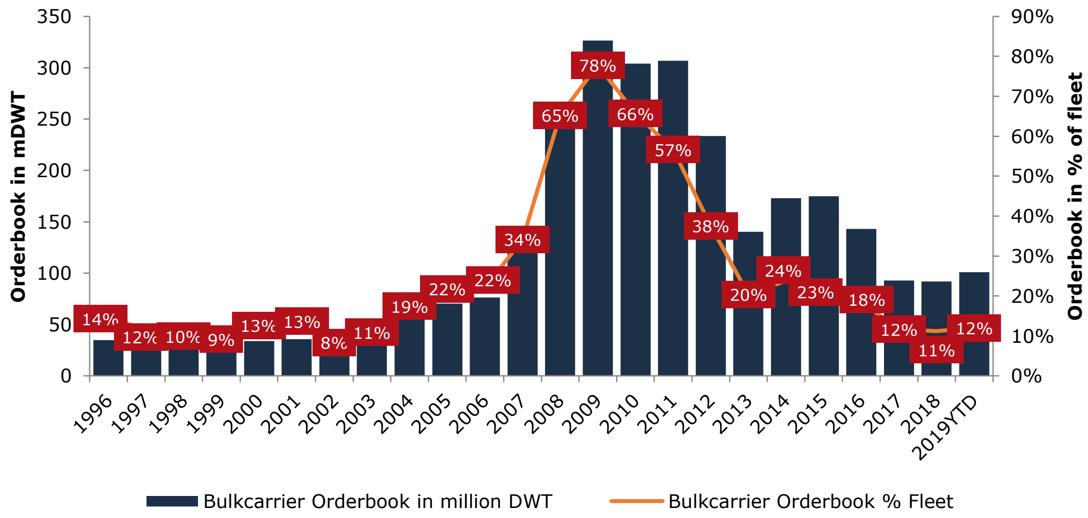
Source: Clarksons Research Services Limited, Clarksons Platou Securities AS

Since 2009, the global iron ore trade has grown 5.0% CAGR in million tonnes, with only 2018 showing a contraction in trade. Global seaborne iron ore trade is estimated to have contracted marginally to stand at 1.48 billion tonnes in

2018, largely reflecting weaker shipments to China as a result of increased scrap use in the country's steel industry and a drawdown in port inventories. China as the largest importer of iron ore, represented the only country globally with double digit market share of iron ore imports in 2018, with 70.9% of global imports. Australia and Brazil are the two largest iron ore exporters today. In 2018, Australia exported 56.6% of global iron ore exports while Brazil was responsible for 26.3% of exports. In 2018, total Australian and Brazilian shipments increased moderately by 0.9% and 2.0%, respectively, despite being impacted by a number of supply disruptions, while shipments from India and Iran fell sharply.

There are several factors influencing the supply side of dry bulk shipping, with the most fundamental factors being the orderbook of the shipyards and the amount of ships that are being scrapped each year. The underlying drivers behind how many ships are being ordered and scrapped at any given time have to do with i) the current fleet size, ii) the age of the fleet, iii) governmental and international shipping regulations iv) current earnings and future market expectations v) access to financing and vi) other factors that can potentially affect the shipping cycle. The development in bulk carrier orderbook between the periods of 1996 and 2019YTD is illustrated in the figure below.

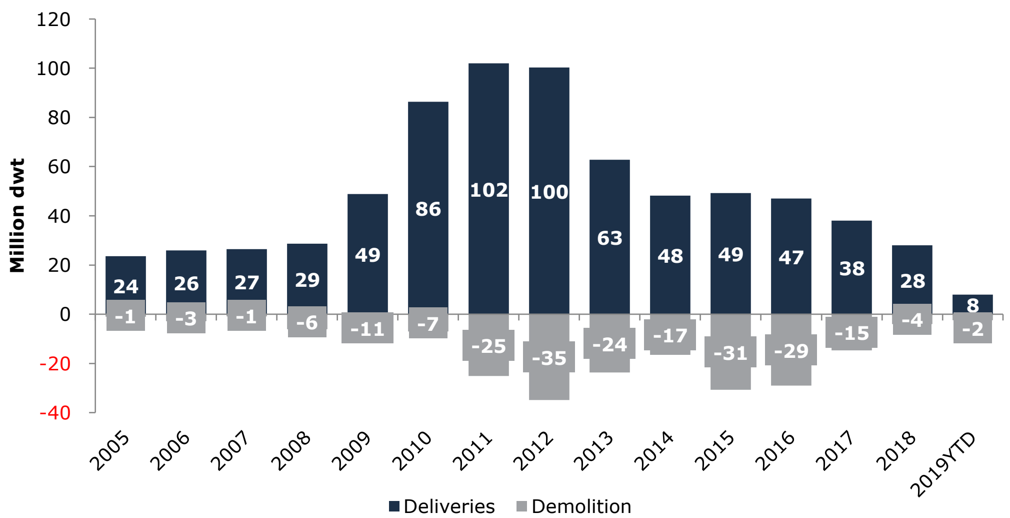
Figure 10: Historical development of the dry bulk fleet



Source: Clarksons Research Services Limited, Shipping Intelligence Network

At year-end 2018, the average size of the total dry bulk fleet in number of vessels is recorded to be 2.2% and 3.6% larger than at year-end 2017 and 2016, respectively. In terms of million dwt, year-end 2018 dry bulk fleet is 3.0% and 5.2% larger than at year-end 2017 and 2016, respectively. These growth levels are historically low when considered within the evolution of dry bulk fleet.

Figure 11: Historical development of dry bulk fleet in deliveries and demolitions (2005-2019YTD)

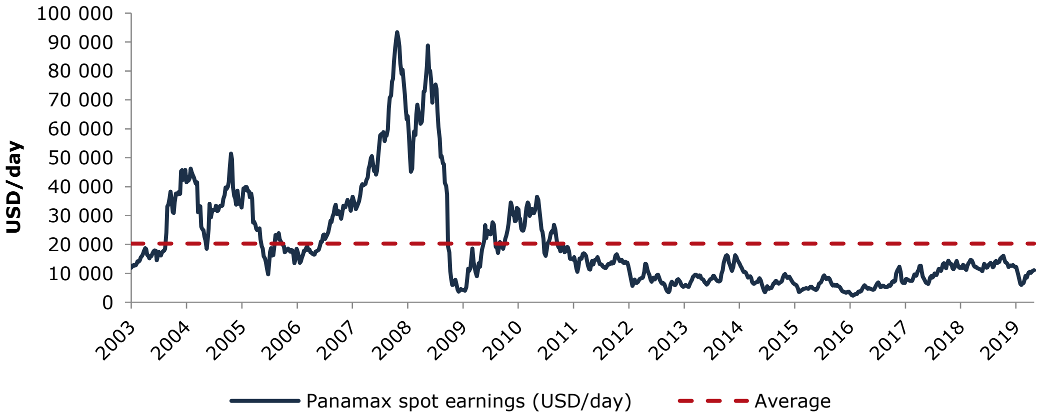


Source: Clarksons Research Services Limited, Shipping Intelligence Network

Similar to many other shipping segments, the imbalances between supply and demand in the dry bulk trade caused by varying levels of demand for commodities and the available fleet to serve these needs, are corrected with responses of the market rates and asset (vessel) values. However, the resulting market rates can fluctuate significantly as seen from Figure 12 below of the time charter rates for standard Panamax vessels since 2003 and the average rate for this period. Day rates for Kamsarmax vessels are 10-12% higher than the day rates for standard Panamax vessels.

As of first week of May 2019, average weekly spot earnings for Panamax bulk carriers are USD 11,035/day; in comparison with the 52 week average of USD 11,783/day between May 2018-2019. Comparing with last year; average Panamax spot earnings are USD 9,166/day for 2019 May YTD; while they were USD 12,674/day for the same period in 2018. The figure below shows the development of Panamax spot rates against the historical average of USD 20,308/day since 2003.

Figure 12: Historical development of Panamax spot rates (USD/day)



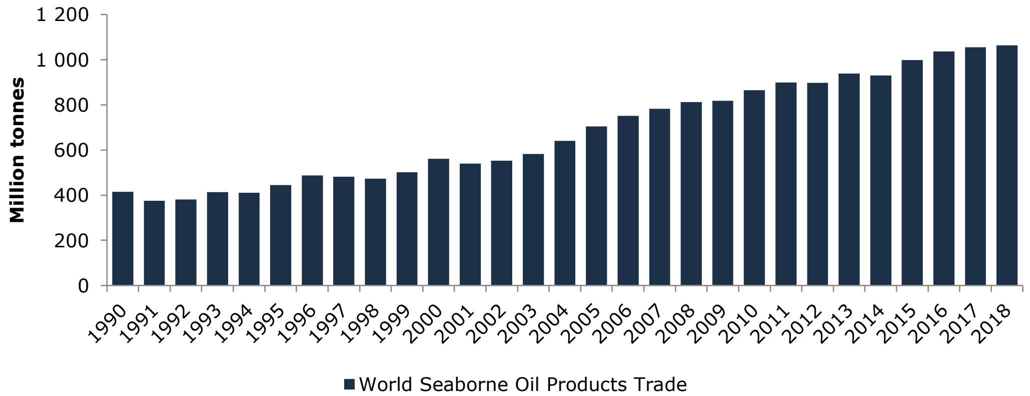
Source: Clarksons Research Services Limited, Shipping Intelligence Network

7.4 Overview of the product tanker market

Product tankers provide seaborne transportation of refined petroleum products worldwide. When refined, crude oil separates into various clean and dirty oil products. Products such as gasoline, kerosene and gasoil are defined as light and clean products, while fuel oil and residual oils are defined as heavy and dirty products. The fleet used to carry petroleum products consists of oceangoing vessels of various sizes and characteristics depending on their suitability to carry these products. In addition, product tankers can transport different kinds of cargo simultaneously with systems to facilitate separate handling processes for each type of cargo.

The figure below illustrates the development of seaborne oil products since 1990.

Figure 13: Development of seaborne oil products trade



Source: Clarksons Research Services Limited, Shipping Intelligence Network

The CABUs have a caustic soda carrying capacity of 55-56,000 mt in tanker mode and can most easily be compared with an MR tanker. The CABUs normally compete against such standard MR tankers for shipment of caustic soda, but have around 30% larger carrying capacity than standard MR tankers in the trades in question.

MR tankers (Medium Range Product Carriers) are product tankers at sizes between 40,000 to 55,000 dwt with coated cargo tanks to prevent corrosion and facilitate cleaning when switching between cargoes. Standard MR tankers typically have six to twelve cargo segregations. They are usually involved in short to medium-haul petroleum product trades e.g. in intra-Asia routes, trades from Middle East Gulf and Indian Sub-Continent to the Indo-Pacific basin and Europe.

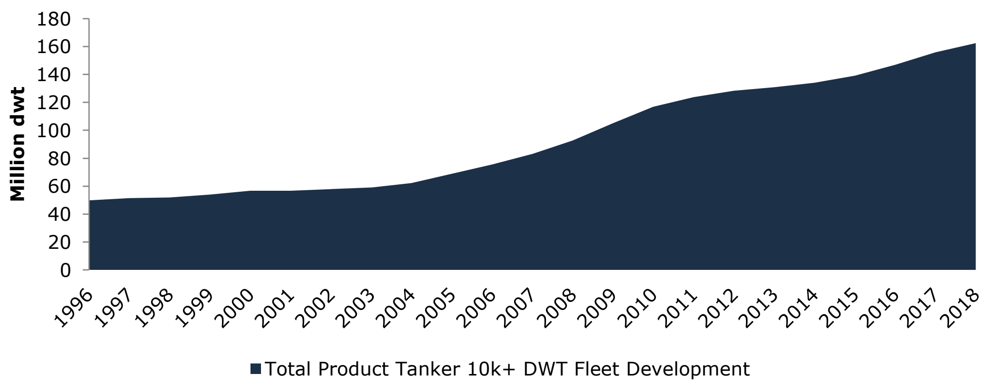
In terms of wet cargo, the CLEANBUs with cargo capacity of approximately 82,500-83,500 dwt function as large LR1 tankers and are competing against standard LR1 tankers (and in some trades LR2 tankers) on the wet leg in the CLEANBU dry-wet combination trading pattern.

LR1 tankers (Long Range Product Carriers) range between 60,000 to 79,999 dwt, and are used for transportation of clean products on long to medium-haul routes in trades amongst others from the Middle East to the Far East. They have internally coated tanks to prevent corrosion and facilitate cleaning when switching between cargoes. Standard LR1 tankers normally have two or three cargo segregations.

LR2 tankers (Long Range Product Carrier) range between 80,000 to 120,000 dwt, and are also generally used for transportation of clean products on long to medium haul routes primarily out of the Arabic Gulf, with main routes to North Asia and Europe. Similar to the LR1 vessels, cargo tanks of LR2 vessels are coated. LR2 tankers are also seen entering into the oil trade if the pricing premium in this market is sufficient to defend the cost of cleaning to later return into CPP trading. The charter rates for the MR, LR1 and LR2 markets show a strong correlation over time.

Figure 14 illustrates the development of total product tanker fleet since 1996.

Figure 14: Development of product tanker fleet



Source: Clarksons Research Services Limited, Shipping Intelligence Network

7.5 Key drivers for the product tanker market

7.5.1 Demand and supply balance of the product tanker market

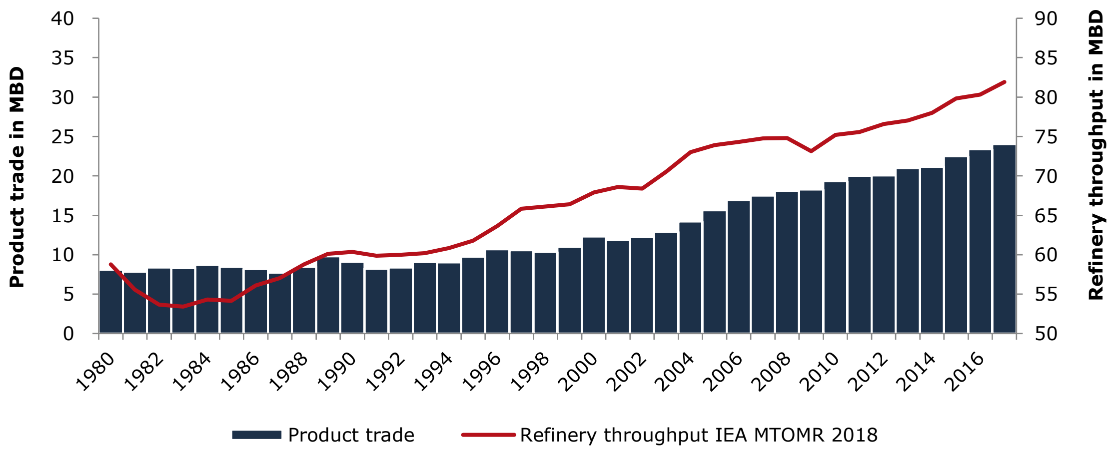
Demand and supply for oil products trade are affected both by the global and regional economic activities, as they follow economic, political, regulatory trends as well as supply and demand dynamics of crude oil. 2018 was characterised by challenging product tanker market conditions for much of the year, with overcapacity resulting from several years of firm fleet expansion continuing to weigh on the market, compounded by muted growth in global seaborne products trade. However, market conditions did improve firmly towards the end of the year. In full year 2018, the product tanker demand experienced approximately 2.4% year-over-year growth. A surge in Saudi Arabian gasoline, diesel and fuel oil imports were major contributors and imports into North America as well as growth in Mexican products imports due to continuing struggle of the Mexican refinery sector also helped raise seaborne trade. Apart from China, Malaysia and Thailand, oil product imports into Asia slowed during this period, as was the case for Europe. Product tanker market conditions firmed in late 2018, with MR spot earnings rising 71% month-over-month to USD 17,208/day in December. However, earnings in full year 2018 averaged USD 8,750/day, the lowest level since 1992. Still, the product carriers experienced a proper seasonal uptick in the winter due to the usual weather-related delays and also by the fact that very few crude carriers were fixed in CPP on their maiden voyage during the fourth quarter of 2018 and early into 2019. While there is uncertainty in respect of future development, with potential support from the return of arbitrage flows to Asia, robust Mexican imports, and growth in exports from the Middle East and Asia; there is reason to believe that product tanker demand will likely keep expanding in 2019.

According to estimates, the product tanker market has seen a balanced growth in 2018 as both supply and demand grew by around 2% within the full year. In 2018, a total of 194 product tankers of a combined 10.0 million dwt were reported sold secondhand, representing the highest number of product tanker sales since 2004. Recycling volumes also picked up, with 62 vessels of 2.8 million dwt scrapped in the full year, up from 33 vessels of 1.8 million dwt in 2017. In full year 2018, 92 product tankers (with capacity of 10,000 dwt +) totalling 5.8 million dwt were delivered into the fleet, down from 125 vessels of 8.3 million dwt delivered in 2017. The LR2 fleet expanded at the fastest pace, growing by 3.2% in the full year, although this remained significantly slower than the 8.5% seen in 2017. Meanwhile, the MR fleet expanded by a subdued 1.6% with demolition in the sector rising 70% year-over-year in dwt terms to 1.2m dwt and deliveries slowing by 20% to 2.3m dwt.

A total of 2.8 million dwt were delivered to the product tanker fleet, while 0.2 million dwt was scrapped in the first quarter of 2019. At the end of March 2019, the orderbook stood at 12.6 million dwt. This total represented the fewest product tanker deliveries in terms of both number and dwt in any year since 2002.

While there is uncertainty in respect of future development, there is reason to believe that there will be room for healthy growth in seaborne crude trade. Whilst a seasonal softening in oil demand and increased refinery maintenance ahead of the IMO 2020 sulphur cap may temper market conditions to some extent in the short-term, overall, 2019 is expected to be a more positive year for the product tanker sector than 2018 as a whole. One important driver will also be longer transport distance. A significant part of new production is coming from the Atlantic Basin, while new refinery capacity is coming from East of the Suez and will likely result in a growing crude deficit in this region. Higher demand for oil and thus increased refinery throughput will also drive growth in seaborne trade of oil products.

Figure 15: Historical development of seaborne product demand versus refinery throughput

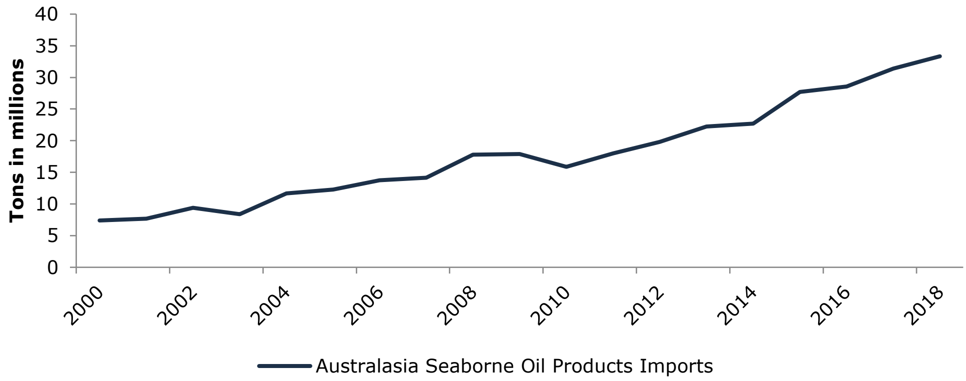


Source: Clarksons Research Services Limited, EA, BP, IEA Oil Market Report 2018

Looking at seaborne specialized products trade, it is observed that it has gained 7.5% year-over-year volume in 2017 to reach a total of 304 million tonnes globally. Contribution to this growth by different products was as follows: organic chemicals such as methanol, benzene and styrene (45%), vegetable oils such as palm oils, soybean oil, rapeseed oil and molasses (28%), inorganic chemicals such as caustic soda, sulphuric and phosphoric acids (14%), while lubricants/base oils and ethanol take up the remainder of the trade.

Figure 16 below illustrates historic oil products imports to Australasia from 2000 to 2018.

Figure 16: Historical oil products imports into Australasia

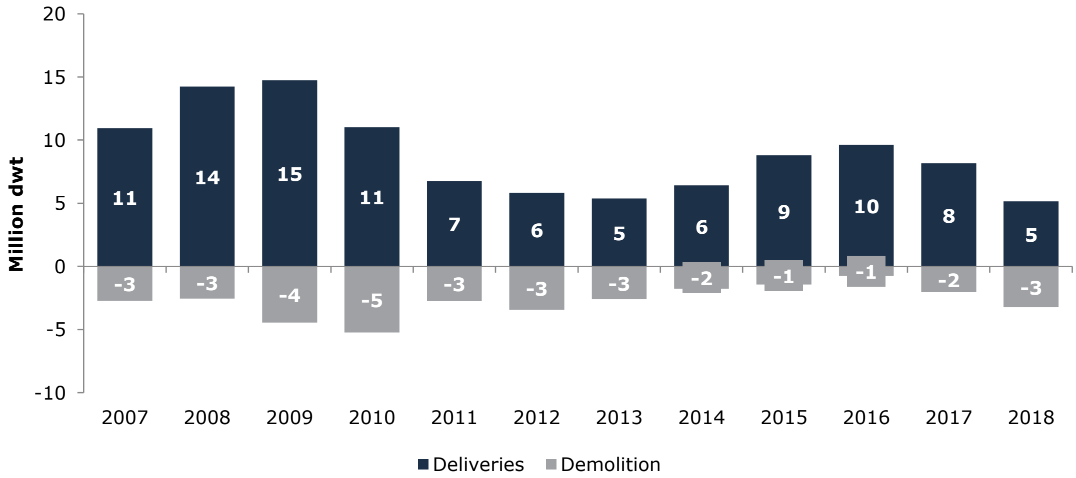


Source: Clarksons Research Services Limited, Shipping Intelligence Network

Similar to dry bulk shipping, there are several factors influencing the supply side of product tanker transportation, with the most fundamental factors being the orderbooks of shipyards and the number of ships being scrapped each year. The underlying drivers behind how many ships are being ordered and scrapped at any given time has to do with i) the current fleet size, ii) the age of the fleet, iii) governmental and international shipping regulations iv) future market expectations v) access to financing and vi) other factors that can potentially affect the shipping cycle. The development of supply in product tankers since 2007 is illustrated in Figure 17 below.

High product tanker fleet growth in 2015-2017 created a large fleet surplus to be absorbed, but fleet growth has fallen substantially in 2018, boding well for increased fleet utilization rate above the current levels of 81%.

Figure 17: Historical development of product tanker fleet in deliveries and demolitions

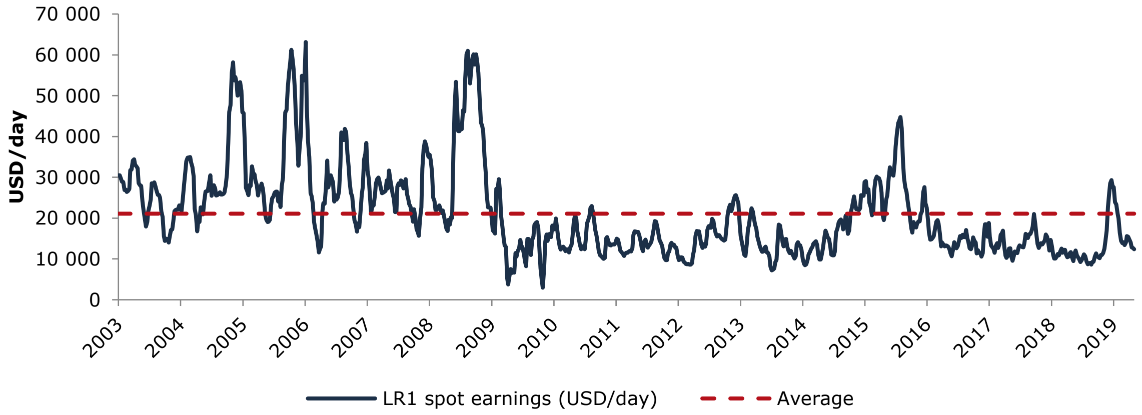


Source: Clarksons Research Services Limited, Shipping Intelligence Network

Due to prolonged effects of oversupply from the last cycle built since the peak of 2015, the product tanker freight market reached all time low levels during the summer and autumn of 2018. Freight rates, however, roared back in November and December in 2018 to levels not seen since 2015 illustrating the product tanker market finding its balance faster than most market observers expected.

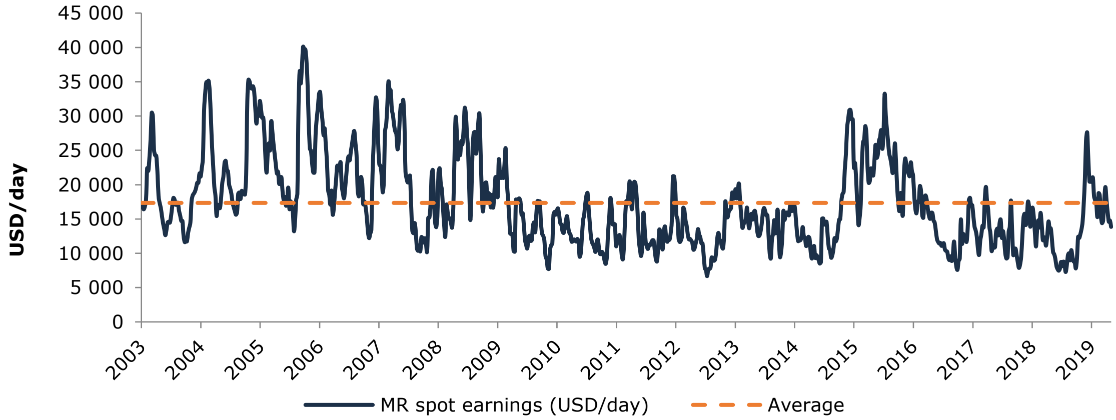
As of first week of May 2019, average weekly spot earnings for LR1 product tankers are USD 12,412/day; in comparison with the 52 week average of USD 14,290/day between May 2018-2019. Comparing with last year; average LR1 spot earnings are USD 16,653/day for 2019 May YTD; while they were USD 11,264/day for the same period in 2018. As of first week of May 2019, average weekly spot earnings for MR product tankers are USD 13,846/day; in comparison with the 52 week average of USD 13,879/day between May 2018-2019. Comparing with last year; average MR spot earnings are USD 17,001/day for 2019 May YTD; while they were USD 13,456/day for the same period in 2018. The figures below show the development of LR1 and MR spot rates against the historical average of USD 17,338/day and USD 21,088/day, respectively, since 2003.

Figure 18: Historical development in LR1 product tanker spot rates (USD/day)



Source: Clarksons Research Services Limited, Shipping Intelligence Network

Figure 19: Historical development in MR product tanker spot rates (USD/day)



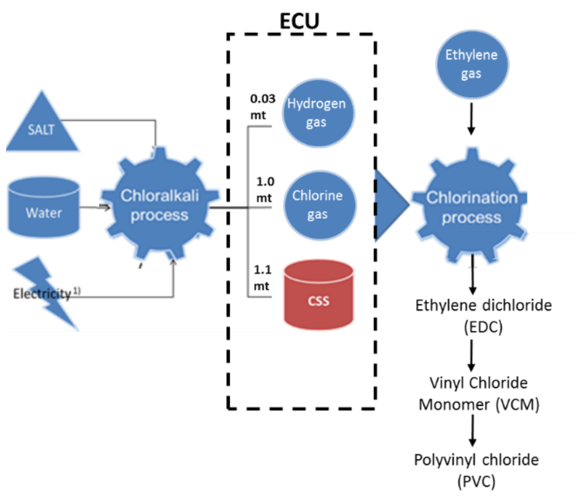
Source: Clarksons Research Services Limited, Shipping Intelligence Network

7.6 Caustic soda

The main wet cargo transported on the CABUs is caustic soda solution (CSS). The CABUs typically transport CSS into Australia and Brazil and transport dry bulk products northbound to the US, the Middle East and Far East.

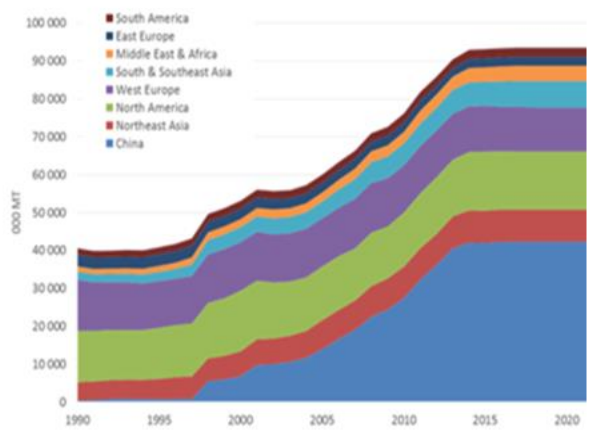
Caustic soda is produced from salt (NaCl) through the chloralkali process; while other products of this process are chlorine and hydrogen (see figure 20 below). The sum ratio between the products of the chloralkali process is referred to as "electrochemical unit" (ECU). One ECU consists of 1 mt chlorine, 1.1 mt caustic soda, and 0.03 mt hydrogen. Total global chlorine production capacity is currently at around 90.7 million mt whereas caustic soda capacity is around 96.8 million mt. Major production countries/areas are China, USA, Europe, North-East Asia and the Middle East. The chloralkali industry went through a strong growth phase between 1995 and 2014, doubling global capacity over this period, mainly in China (see figure 21 below). Capacity since 2014 has been stable and there are currently very limited expansion plans for the next years.

Figure 20: The chloralkali process



Source: the Company/Tecnon Orbichem

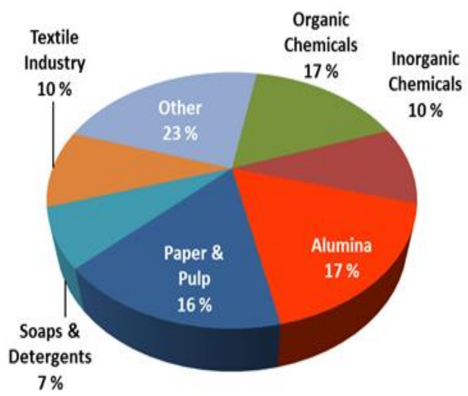
Figure 21: Development in global chloralkali capacity



Source: Tecnon Orbichem

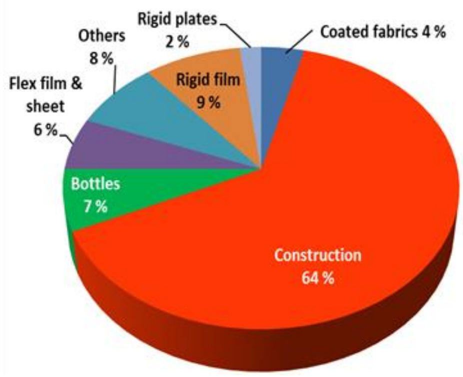
Demand for caustic soda as well as chlorine is closely linked to GDP growth. Caustic soda is used in many different industries, including alumina refining and paper and pulp production (see figure 22 below). Together, these two industries account for approximately 33% of caustic soda consumption, while the remainder is scattered over various industries (Eurochlor, 2016). Production of caustic soda is closely linked with the market for chlorine and its secondary products ethylene dichloride (EDC), vinyl chloride monomer (VCM) and polyvinyl chloride (PVC). Approximately 67% of chlorine production is used for these secondary products. (Tecnon OrbiChem, 2017). Without finding off take for its chlorine production, caustic soda production will be impacted.

Figure 22: Use of caustic soda



Source: Tecnon Orbichem

Figure 23: Use of PVC



Source: Tecnon Orbichem

The CABUs mainly transport CSS to the alumina refineries in Brazil and Australia and service six of the eight largest alumina refineries in the world.

7.7 Overview of and key drivers for the bunker fuel market

Energy sources such as oil and gas products play a vital role in the shipping industry not only in terms of transportation, but also in terms of being the main fuel source for vessels. In this regard, fuel (bunker) cost is one of the main cost components of most shipping segments. As about 5-6% of world energy production is utilized for seaborne transportation, the bunker fuel market behaves as a derivative of the global energy market. The energy sources used in seaborne transportation are mainly heavy fuel oil ("**HFO**") such as High Sulphur Fuel Oil ("**HSFO**") and Low Sulphur Fuel Oil ("**LSFO**"), middle distillates such as Marine Gas Oil ("**MGO**") and Marine Diesel Oil ("**MDO**"), and Liquefied Natural Gas ("**LNG**").

7.7.1 Demand and supply balance of the bunker fuel market

Demand and supply dynamics of the bunker fuel market are affected by various macro and shipping and oil market trends and developments, including, but not limited to, the following: worldwide and/or seaborne demand for different bunker fuels; the cost of producing, transporting and distributing these commodities; the ability of global refineries to produce and maintain sufficient amounts of these fuels; the development and exploitation of alternative fuels, their competitive position, and expectations regarding their existing fuels' future prices; international and governmental laws and regulations, including environmental protection laws and regulations; local and international political, economic and weather conditions; and political and military conflicts.

Since the 1960s, the global shipping fleet has been running on HSFO. Inexpensive and widely available, HSFO led the way for a long period of growth in the shipping industry. Derived as a residue from crude oil distillation, this fuel currently contains 3-5% sulphur that enters the atmosphere through vessel exhaust gasses, which have shown impact on the environment and human health. The International Maritime Organization (IMO) is a specialized agency of the United Nations established in 1948, assigned with the "Responsibility for the safety and security of shipping and the prevention of marine pollution by ships". One of the upcoming IMO regulations aims at reducing sulphur oxide emissions (SOX) through regulations of maximum allowed sulphur content in the bunker fuel. The latest IMO regulation concerning sulphur limitation was passed in late October of 2016 and will enter into effect on 1 January 2020, further limiting the sulphur content in bunker fuel that ships are allowed to use in an effort to reduce global sulphur oxide emissions from the shipping sector. The new regulation ("**IMO 2020**") changes the sulphur content in fuel oil from today's 3.50% to 0.50% globally, while certain designated Emission Control Areas ("**ECAs**") remain at current 0.10%. Refineries already supply bunker fuel oils that comply with the 0.1% limit in ECAs, such as MDO and LSFO blends; however the forced shift in demand for more regulation-compliant fuels will significantly impact the global refining sector in several aspects such as utilization, increased output and substantial investments. The exact effects of the market balance for middle distillate and heavy fuel are uncertain and estimates from leading analysts differ substantially. According to a forecast from EnSys, demand for middle distillate fuels will increase by 3.8 mbd (million barrels per day) to 5.5 mbd with the new IMO regulation, equal to approximately 11% of production in 2016; while the demand for HSFO will decrease from 4.4 mbd to 0.8 mbd.

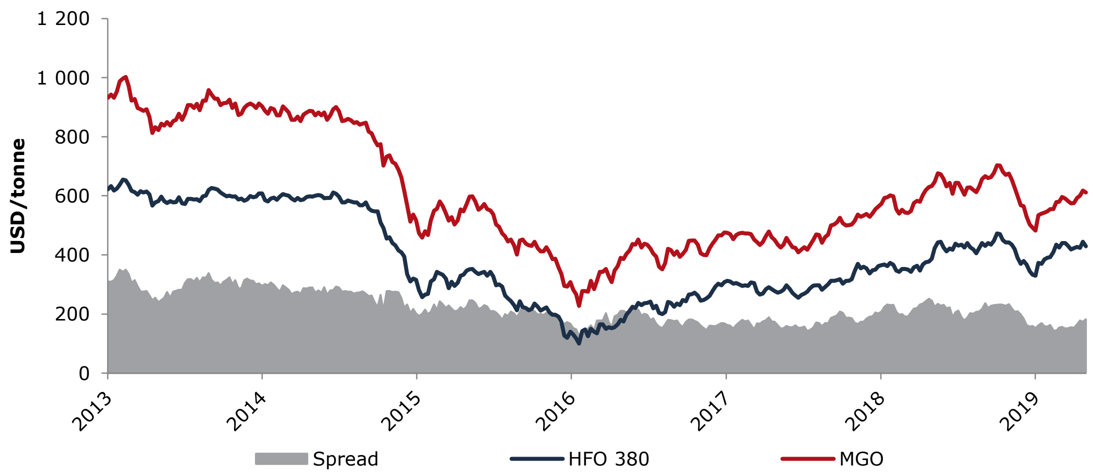
There are currently three main alternatives for shipowners to comply with the IMO 2020 sulphur regulations. One alternative is to install exhaust gas cleaning systems (the "**EGCS**") – commonly referred to as scrubbers – and continue using HSFO. Another alternative is to switch to low sulphur distillate blends with <0.5% sulphur content. Finally, shipowners can choose to retrofit their ships to run on LNG or other less conventional but compliant fuels. By early 2019, shipowners have ordered scrubbers for 2,200 vessels and consensus forecasts agree that by the end of 2020, 3,000 to 3,500 vessels will have installed scrubbers, corresponding to only 3-4% of the 60,000 ships in the worldwide merchant fleet. As scrubber-fitted vessels to a large extent will be large vessels with high fuel consumption, this part of the fleet is estimated to burn close to 20% of the current worldwide HSFO consumption.

The large majority of shipowners in the MR, LR1 and LR2 product tanker and Panamax/Kamsarmax dry bulk segments will burn more expensive MDO or very low sulphur fuel oil ("**VLSFO**"). Higher fuel cost for shipowners in these product tanker and dry bulk segments will likely be passed on to the charterers through higher freight costs.

In the historic period analysed in the figure below, there has been a spread between HSFO and MGO, generally varying between USD 125/tonne and USD 350/tonne, and on average USD 219/tonne since 2013 through 2019 May YTD.

For the Group's combination carriers, a higher fuel price is, in isolation, positive for earnings. The value of the trading efficiency of the Group's combination carriers increases in markets with higher bunker fuel prices. As the cost of higher bunker fuel is passed on to the charterers, freight rates including compensation for the ballast leg for standard product tankers and dry bulk vessels will increase. Combination carriers with minimum ballast and two laden and paying legs will benefit from the market freight rates for standard vessels set on higher bunker fuel prices.

Figure 24: Historical development of HSFO and MGO prices (USD/tonne)



Source: Clarksons Research Services Limited, Shipping Intelligence Network

7.8 IMO 2020 impact on the market balance in the product tanker and dry bulk markets

The implementation of the IMO 2020-regulations from 1 January 2020 will likely impact the supply-demand balance in all shipping markets, particularly the product tanker market. Vessels across all shipping segments will need to adapt to this new regulation either by cleaning bunker tanks to prepare for burning the new compliant fuels or by installing a scrubber to continue using HSFO. Both will imply off-hire, which in totality will reduce effective fleet supply in most shipping segments in both 2019 and 2020.

In the product tanker market, it is expected in addition, to be a considerable demand effect as cargo volumes of distillates (e.g. marine diesel) and other compliant fuels are set to increase globally from second half of 2019 ahead of the IMO 2020 introduction. Limited refinery expansions in Europe and Latin America and parts of Asia will likely widen the supply deficit in key bunkering ports in these regions, leading to potential for longer haul voyages to ensure adequate supply of compliant bunker fuels around the globe.

Furthermore, possible supply constraints may lead to increased waiting time for bunkering of all vessel types and new CPP trades may lead to more waiting time for product tankers discharging cargo in several bunkering ports. As a consequence of higher bunker fuel prices, optimal speed might fall, effectively reducing the supply of vessel capacity.

7.9 Future market expectations

The Company expects an improved supply/demand balance in both the dry bulk and product tanker markets in the coming two years. On average over the two-year period, supply growth in both markets will likely be modest, taking into account supply effects from the IMO 2020 regulations. Demand outlook is positive in both the dry bulk and product tanker markets assuming continued healthy world economic development.

In the dry bulk market, continued growth in iron ore shipments, fuelled by expected increased Chinese infrastructure investments and good growth prospects in grain and minor bulk trades, are likely to secure a global dry bulk demand growth exceeding the modest, although increasing, dry bulk supply growth in 2019 and 2020.

On the product tanker side, the Company expects the market to have reached the bottom of the cycle and demand growth to be stronger from second half of 2019 with an expected higher refinery throughput and increasing distances driven by the ramp up to and implementation of IMO 2020 regulations. While the improvement in the supply/demand balance in 2019 will likely be restrained by increased product tanker deliveries, fleet growth will fall back considerably in 2020 and form the basis for a tighter supply/demand balance and further improvement in fleet utilization in 2020.

In terms of fuel prices, the Company expects the price spread between the HSFO and VLSFO to spike in 2020 when the new IMO 2020 sulphur regulations are implemented, but to decrease over time as the oil industry adapts to increased VLSFO demand from the shipping industry. The switch from HSFO to VLSFO will, irrespective of development in this price spread, result in permanently higher bunker fuel prices for the shipping industry. Higher bunker fuel costs are expected to wholly or partly be translated into higher market freight rates which again will increase the Group's net earnings due to the fuel-efficient trading pattern of its combination carriers with two paying laden legs and minimum ballast.

7.10 Competitive landscape

Both the dry bulk and the product tanker sectors are competitive industries with market participants ranging from large multinational shipping companies to smaller regional companies with fewer units. However; the Company currently does not face direct competition of scale in the combination carrier market. On the other hand, in terms of cargo, the combination carriers compete directly against Panamax and Kamsarmax vessels in dry bulk trades and MR, LR1 and partly LR2 tankers in clean petroleum product (CPP) trades.

Competition for the transportation of dry bulk commodities and oil products can be intense and depends on price, location, size, age, condition, acceptability of the vessel and its operators, as well as the ability to secure contracts with charterers. 40-50% of the capacity of the Group's vessels is traded in wet (caustic soda and CPP) trades, while the remaining 50-60% in dry bulk trades. The Group's business and profitability is dependent on entering into contracts of affreightments (COAs) in caustic soda trades for the CABU vessels to some extent enter into COAs and in CPP trades for the CLEANBU vessels. The Group also enters into COAs in key dry bulk trades, but deliberately chooses to have a lower contract coverage in the dry bulk market due to better access to spot dry cargoes and the need for scheduling flexibility. The Group's current caustic soda and dry bulk COAs have a mix of long, medium and short term duration. Key clients for the CABU fleet are mainly large blue-chip companies within the alumina and aluminium industry, such as Alcoa Corporation, South32, ALBA (Aluminium Bahrain B.S.C.), and Hydro.

The Company is not aware of any particular relative disadvantages compared to other industry participants.

8 BUSINESS OVERVIEW

This Section provides an overview of the business of the Group as of the date of this Prospectus. The following discussion contains forward-looking statements that reflect the Company's plans and estimates; see Section 4.5 "Cautionary note regarding forward-looking statements". You should read this Section in conjunction with the other parts of this Prospectus, in particular Section 2 "Risk Factors".

8.1 Introduction

The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company's registered commercial and legal name is Klaveness Combination Carriers ASA (previously "Klaveness Combination Carriers AS"). The Company was incorporated in Norway on 23 March 2018 as a private limited liability company and registered in the Norwegian Register of Business Enterprises with the organisation number 920 662 838. The Company's registered office is located at Drammensveien 260, 0283 Oslo, Norway and the Company's main telephone number at that address is +47 22 52 60 00. The Company converted from a private limited liability company to a public limited liability company on 25 March 2019.

The Group is an owner and operator of combination carriers and operates mainly within the dry bulk shipping industry and the product tanker industry. Currently, the Group owns nine CABUs, one CLEANBU on water and seven CLEANBUs on order with expected deliveries through 2019, 2020 and 2021, and six outstanding options falling due in 2019 for six additional CLEANBU newbuildings from Jiangsu New YZJ in China with expected deliveries in 2021 and 2022. 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 first CLEANBU is 82,425 dwt and the other CLEANBUs will have approximately 83,500 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.

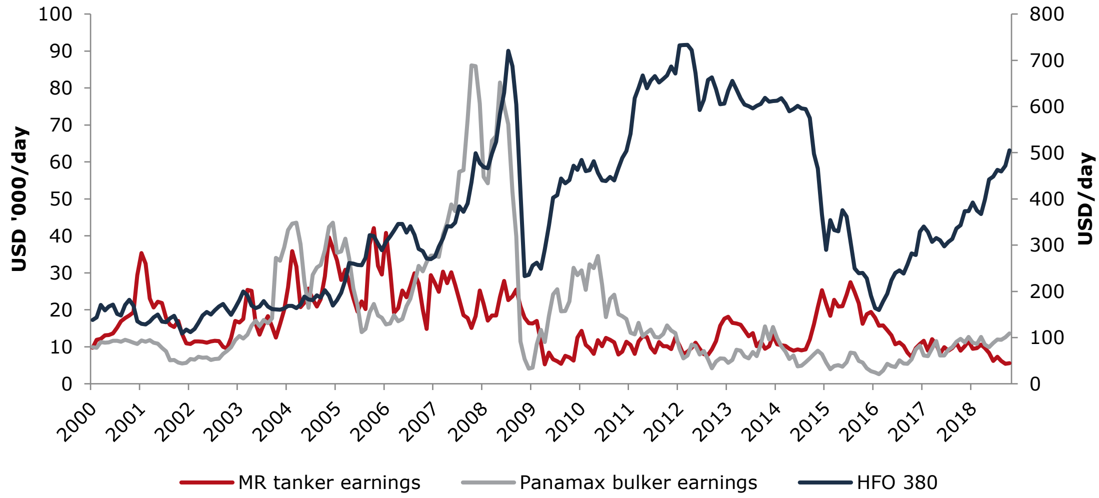
8.2 Corporate Strategy

A standard dry bulk vessel transports dry bulk products, while a standard product tanker vessel transports certain types of wet products, e.g. clean petroleum products. A dry bulk vessel typically loads cargo in a dry bulk exporting area and delivers the cargo in a dry bulk importing area, before the vessel sails empty (ballasts) back again to load dry bulk cargo. The same pattern goes for a product tanker vessel. The result being that a standard vessel ballasts around 40-50% of the time. The standard vessel is usually paid by the charterer for the bunker fuel consumed when ballasting into a loading port (ballast compensation).

The Group companies seek to optimize earnings through investing in and operating combination carriers that service both the dry bulk and product tanker markets. The main strategy is to switch consecutively between wet and dry bulk products and transport wet products into dry bulk exporting regions (and the other way around) and through this, have two paid legs (laden both ways) and hence a higher utilization of the vessels compared to standard vessels. In addition to having two paid legs, the combination carriers will as their competitors, the standard vessels, receive a ballast compensation. However, the combination carriers have minimum time spent in ballast and as both laden legs pay for the bunker fuel, this creates a favourable exposure to bunker prices and contribute to increasing the net earnings; i.e. higher bunker fuel prices have a positive impact on the Group's earnings.

While earnings for a standard dry bulk vessel is mainly impacted by the underlying dry bulk market and a tanker vessel, by the tanker market, the combination carriers are exposed to three markets: dry bulk, product tanker and bunker markets. The three markets have been reasonably uncorrelated historically, which is illustrated in the figure below, and provide to a certain extent, a downside protection as well as upside potential in earnings.

Figure 25: Historical development of dry bulk, product tanker and bunker fuel markets



Source: Clarksons Research Services Limited, Shipping Intelligence Network

In addition, the CABUs have a higher CSS cargo intake than their main competitors, the MR tankers, and are hence able to give the customers a rebate on the extra volume lifted above a MR lot-size, incentivizing the customer to use the CABUs and increasing earnings for the CABUs. The CLEANBUs are 10% larger than a LR1 tanker and will hence have the same advantage.

The Group's intention is to own tonnage that targets to operate mainly under COAs in the wet product market and on a higher degree of spot basis in the dry bulk market, in order to give the COA customers a high degree of flexibility and reliability. In addition, the mix of COAs and spot creates a high degree of flexibility in optimizing the trading of the fleet. Furthermore, the COA portfolio usually secures a more stable cash flow. In addition, the Group uses derivates, forward freight agreements (FFA), to hedge part of the freight exposure and uses bunker derivates to hedge part of the bunker exposure. For 2019, the Group has sold FFAs for approx. 20% of the dry bulk exposure. The Company will have an efficient and low-cost set-up through services provided by Torvald Klaveness affiliated companies, including administrative services, commercial management, supervision and project management and technical management.

Further, the Group seeks an industrial approach whereby it invests when asset values are low as the premium paid for specialized vessels such as the combination carriers compared to standard vessels are much lower in weak shipbuilding markets than in strong shipbuilding markets. The yard price for the CLEANBUs on order is on average USD 47.3 million per vessel compared to the LR1 standard price of approximately USD 44 million at the time of order. In comparison, the CLEANBU is 10% larger, hence the CLEANBU price is at par with the LR1 price when accounting for size differences. The strategy is to operate the vessels until they are recycled. The Company focuses on returning capital to shareholders through stable dividend payments.

8.3 Legal structure of the Group

Klaveness Combination Carriers ASA is the parent company of the Group and has as of the date of this Prospectus three directly owned subsidiaries, namely KCC Shipowning AS (KCCS) established in 1992, KCC Chartering AS (KCCC) established in 2002 and KCC KBA AS (KBA) established in 2013. All Group companies are incorporated in Norway.

Figure 26: Group structure chart at the end of 2017 and as of the date of this Prospectus

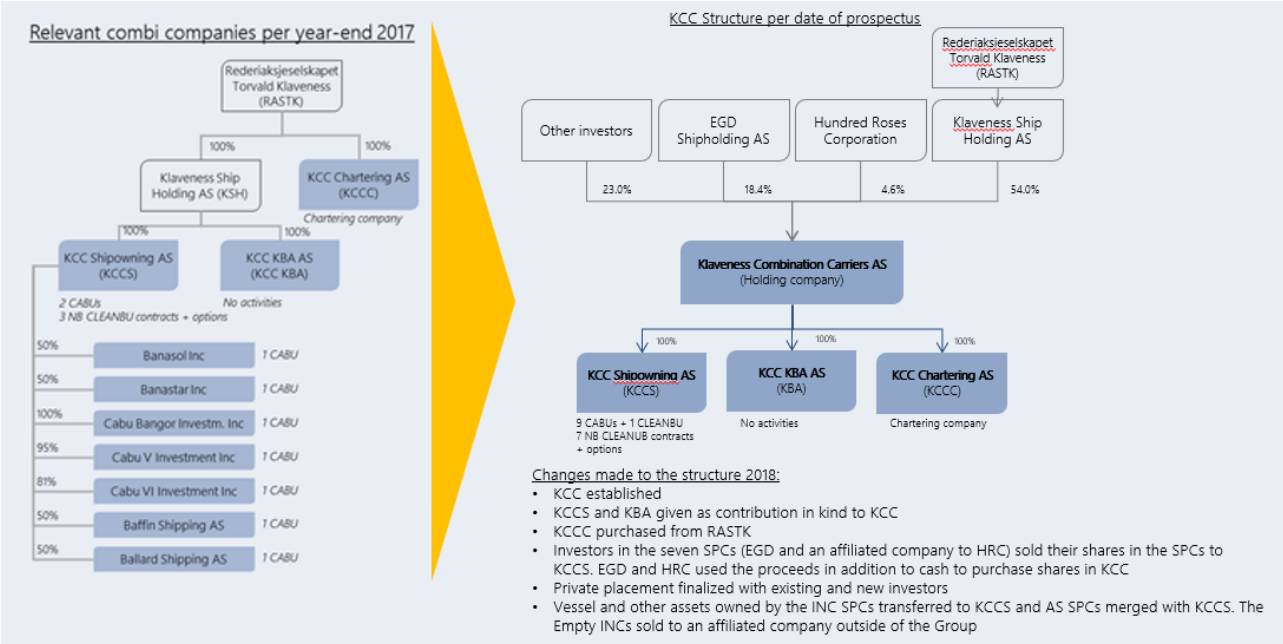
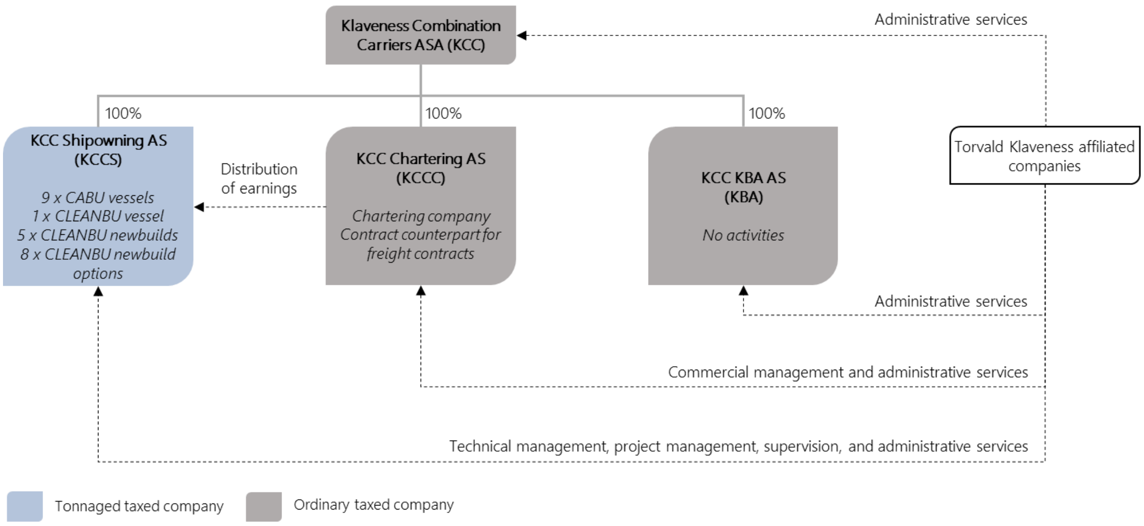


Figure 27: Group structure chart as of the date of this Prospectus included overview of service agreements



The Company (Klaveness Combination Carriers ASA), is the parent company of the Group. Below is a description of the companies in which the Company has ownership interest.

<u>KCC Shipowning AS (KCCS):</u> KCCS is a wholly-owned subsidiary of the Company. Presently, KCCS owns all nine CABU vessels, one CLEANBU vessel on water and seven CLEANBU vessels on order, along with the six outstanding CLEANBU newbuilding options. KCCS is incorporated in Norway with the registration number 963 109 288.

<u>KCC Chartering AS (KCCC):</u> KCCC is a wholly-owned subsidiary of the Company. KCCC employs the Group vessels, acts as the counterparty in all freight contracts and on this basis distributes all net earnings to the KCCS vessels as time charter hire. KCCC is incorporated in Norway with the registration number 984 094 280.

<u>KCC KBA AS (KBA):</u> KBA is a wholly-owned subsidiary of the Company. The company currently has no activities. KCC KBA AS is incorporated in Norway with the registration number 912 477 983.

8.4 History and important events

Klaveness Combination Carriers AS was established as a sub-holding company of Torvald Klaveness' ship owning business on 23 March 2018, to consolidate the ownership and activities of all combination carrier companies owned wholly or partly by Torvald Klaveness.

Today, KCC owns all the Group's combination carriers indirectly 100%. Klaveness Ship Holding AS (KSH) currently owns 54.0% of the Company, while EGD Shipholding AS holds 18.4%, Hundred Roses Corporation holds 4.6%, and other investors hold 23%.

The table below provides an overview of key events in the history of Klaveness' combination carrier activities. Historically, vessels within other segments than combination carriers also have been owned within the KCCS structure, hence main events relevant for the combination carriers have been addressed up and until 2014. From and including 2015, all main events within the relevant legal entities have been addressed, i.e. including events related to other vessel segments.

Year	Event
1992	• T. Klaveness Shipping AS, now named KCC Shipowning AS (KCCS), was established.
2001	• Special Purpose Companies (the "**SPCs**") owned 23%, 24% and 50%, respectively, by KCCS, took delivery of three CABU vessels (Banasol, Barcarena, Banastar). The vessels were employed in the pool operated by AS Bulkhandling.
2002	• Bulkhandling Probo/Cabu AS, now named KCC Chartering AS (KCCC) was established and took over the operation of the pool of CABU and Probo vessels. • A SPC owned 56% by KCCS took delivery of one CABU vessel (Bangor). The vessel was employed in the KCCC pool.
2005-2007	• Two SPCs owned 41.7% and 52%, respectively, by KCCS, took delivery of two CABU vessels (Bantry, Bakkedal). The vessels were employed in the KCCC pool. The Barcarena became a wholly owned KCCS vessel.
2006	• The last Probo vessel left the KCCC pool.
2008	• A product tanker (Baru) was acquired by KCCS and converted to a caustic soda carrier in 2009.
2011	• KCCS increased its ownership to 50% in Banasol, 100% in Bangor, 95% in Bantry and 81% in Bakkedal. After the transactions, the following continued to hold ownership shares: One investor owned 50% of Banasol and Banastar and 19% in Bakkedal, while a company owned by Trond Harald Klaveness continued to hold 5% in Bantry.
2013	• Klaveness Ship Holding AS (KSH) (previously named Klaveness Cement Logistics AS, incorporated in 2005) was established as Torvald Klaveness' holding company for ship investments. • Klaveness Bulk AS (now KCC KBA AS) was incorporated and took over KCCS' orders for a series of Kamsarmax newbuildings from Jiangsu New Yangzi Shipbuilding Co., Ltd. (the "**YZJ**"). All but two of these newbuildings were resold before delivery. • KCCS ordered three CABU newbuildings from Zhejiang Ouhua Shipbuilding Co. Ltd. (the "**Ouhua**").
2014	• The Baru was sold for demolition.
2015	• The five self-unloader vessels owned by KCCS were sold and transferred to new owners in January 2016. After the sale KCCS became a pure combination carrier company. • KCCS ordered three CLEANBU newbuildings from YZJ.
2016	• KBA took delivery of two Kamsarmax dry bulk vessels from YZJ. One was resold on delivery, the other was sold later the same year. After the sales, KBA had no activities. • KCCS took delivery of the first CABU newbuilding from Ouhua (Balboa). The vessel was employed by KCCC. • Two SPCs owned 50% by KCCS were established and took over the commitments for the remaining two CABU newbuildings from KCCS on a back-to-back basis. One of the SPCs took delivery of the second CABU newbuilding from Ouhua (Baffin). The vessel was employed by KCCC.
2017	• The other SPC owned 50% by KCCS took delivery of the third CABU newbuilding (Ballard). The vessel was employed by KCCC.
2018	• KCCS ordered three additional CLEANBU vessels from YZJ. • KCC was established as a wholly owned subsidiary of KSH. KSH's shares in KCCS and KBA were used as contribution in kind, whereby KCCS and KBA became wholly owned subsidiaries of KCC. The other shareholders in the SPCs sold their shares in the SPCs to KCCS and subscribed for shares in KCC for the same amount. In addition, new shares were issued against a cash settlement. After these transactions, KSH held 77.47% of the shares in KCC. • KCC purchased KCCC from RASTK • KCC completed a private placement with gross proceeds totalling USD 45 million, whereafter the KCC shares were registered on NOTC on 15 October 2018 with KSH as the largest shareholder at 63.34%. • KCCS, KBA and KCCC changed names to their present names. • All vessels owned by SPCs were sold to KCCS or SPCs were merged into KCCS, whereafter KCCS owned all combination carrier vessels, newbuildings and options for further newbuildings directly. Five empty SPCs were still owned by KCCS. In parallel, seven bank facilities in the SPCs and KCCS were merged into two facilities with KCCS as borrower.
2019	• The five empty SPCs were sold to an affiliated company outside of the Group on 3 January 2019. After the sale, KCCS has no subsidiaries. • KCCS took delivery of the first CLEANBU newbuilding (Baru) from YZJ on 10 January 2019. • On 16 January 2019, a debtor change in relation to the KSH bond issue of NOK 300 million listed on Nordic ABM (ISIN NO 001 0779549, Ticker: KSH03 PRO) from KSH to KCC was accepted by the bond holders. The loan provided by KSH to KCC of USD 36 million was as a consequence settled. The debtor change was effective on 30 January 2019. • KCCS signed a MUSD 60.45 facility agreement with SEB/SR-Bank to finance two CLEANBU newbuildings (MV Baleen and MV Bangus). On 15 May 2019, the Company completed a Private Placement of 7,368,000 Shares, with gross proceeds totalling NOK 350 million. • KCCS ordered two additional CLEANBU vessels from YZJ.

8.5 Business description

8.5.1 Introduction

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 seeks to optimize earnings through investing in and operating combination carriers that service both the dry bulk and product tanker markets. The main strategy is to switch consecutively between wet and dry bulk products and transport wet products into dry bulk exporting regions (and the other way around), and through this have two paid legs (laden both ways) and hence a higher utilization of the vessels compared to standard vessels.

8.5.2 The fleet

As per the date of this Prospectus, all vessels are owned 100% directly by KCC Shipowning AS (KCCS). The fleet consists of nine CABU vessels and one CLEANBU vessel on water, seven CLEANBU vessels on order with expected deliveries through 2019, 2020 and 2021 and six options for six additional CLEANBU newbuildings from Jiangsu New YZJ in China with expected deliveries in 2021 and 2022.

Vessel	Type	Dwt[3]	Built	Yard	Flag
MV Banastar	CABU	72,562	2001	Oshima, Japan	MI
MV Barcarena	CABU	72,562	2001	Oshima, Japan	NIS
MV Banasol	CABU	72,562	2001	Oshima, Japan	MI
MV Bangor	CABU	72,562	2002	Oshima, Japan	NIS
MV Bantry	CABU	72,456	2005	Oshima, Japan	MI
MV Bakkedal	CABU	72,456	2007	Oshima, Japan	MI
MV Baffin	CABU	80,235	2016	Ouhua Zheijang, China	MI
MV Balboa	CABU	80,344	2016	Ouhua Zheijang, China	NIS
MV Ballard	CABU	80,236	2017	Ouhua Zheijang, China	MI
MV Baru	CLEANBU	82,425	2019	YZJ, China	MI
Newbuild #2 (1223)	CLEANBU	83,500	E2019	YZJ, China	MI
Newbuild #3 (1224)	CLEANBU	83,500	E2019	YZJ, China	MI
Newbuild #4 (1226)	CLEANBU	83,500	E2020	YZJ, China	MI
Newbuild #5 (1227)	CLEANBU	83,500	E2020	YZJ, China	MI
Newbuild #6 (1228)	CLEANBU	83,500	E2020	YZJ, China	MI
Newbuild #7 (1229)	CLEANBU	83,500	E2021	YZJ, China	MI
Newbuild #8 (1247)	CLEANBU	83,500	E2021	YZJ, China	MI

The nine CABUs currently on water have an average age of 11.7 years.

All Group vessels are employed on open rate time charter parties to KCC Chartering AS (KCCC). KCCC operates the vessels as one fleet, optimizing the total earnings for the fleet and distributes earnings to the vessels once a month based on each vessel's Vessel Earning Points (VEP). The VEP is set once a year and is mainly based on fuel consumption, fuel prices, cargo intake, contract portfolio, trading pattern and rate levels. KCC Chartering AS is the contracting party in all freight contracts and KCCC typically enters into short to long term contracts of affreightment (COA) for caustic soda volumes and to a lesser degree dry bulk volumes, and in addition employs the vessels on a spot basis in the market. The tenor of the COA contracts at signing has historically been between one and eight years and the remaining duration is per now up to three years, with expiry at the end of 2021. The first COA for shipment of clean petroleum products (CPP) has been concluded for the CLEANBUs and the intention is to expand the CPP COA portfolio to secure part of the cash flow also for the CLEANBUs when these vessels are delivered from 2019 to 2021. In

[3] 83,500 dwt stated in the newbuilding contracts for Newbuild #2-6. This is an approximate number, exact dwt known closer to delivery,

some cases, KCCC relets volumes on a voyage basis or hire in time charter vessels for up to six months to optimize trading and earnings.

The CABUs are from 72,456 dwt up to 80,344 dwt and have capacity to transport caustic soda solution (CSS), floating fertilizer (UAN) and molasses as well as all types of dry bulk commodities. Key trade lanes are caustic soda into Brazil and Australia from the Middle East, Far East and the US Gulf and dry bulk products northbound. KCCC services six of the eight largest alumina refineries in the world and is the largest carrier of caustic soda into Australia and Brazil. The CABUs are employed on both long- and short-term contracts of affreightment (COAs) as well as in the spot market. KCCC targets high contract coverage for caustic soda and has deliberately lower contract coverage in the dry-bulk market due to better access to spot dry cargoes and a need for flexibility in scheduling the vessels. KCCC co-operates closely with its customers, of which the three largest have been customers of Klaveness since before the first CABUs were delivered in 2001.

The CLEANBUs are approximately 82,500-83,500 dwt and are both full-fledged LR1 product tankers and Kamsarmax bulk carriers transporting clean petroleum products (CPP), heavy liquid cargoes such as CSS as well as all types of dry bulk products. Five CLEANBUs are under construction at Jiangsu New Yangzi Shipbuilding Co. Ltd. The first CLEANBU vessel was delivered in early 2019 and the last CLEANBU vessel currently under construction is estimated to be delivered in first quarter of 2021. The CLEANBUs will be based on the same logic as the CABUs, trading wet products, mainly CPP, into dry bulk export hubs and dry bulk products back to the CPP loading areas, securing high utilization of the vessels. The first three vessels were ordered in 2016, while additional three options were declared in 2018. The first three vessels have an average contract price of USD 48.4 million, while the latter five each has a contract price of USD 46.5 million. The Group has additional six options with declaration expiry dates in 2019. The contract price of the first option is USD 46.5 million. The contract prices are USD 47.35 million for the second option, USD 47.85 million for the next two and USD 48.35 for the last two.

On 24 April 2019, KCC signed a COA with one of the leading Australian importers and distributers of clean petroleum products for the CLEANBUs. The COA covers multiple cargoes over an initial period of 12 months with estimated commencement within 3rd quarter 2019.

Please see Section 7.1 “KCC fleet overveiw” for further details on CABU and CLEANBU vessels.

The vessels are described in more detail in the table below.

Vessel	**Vessel spesifications:**
	Vessel name: MV Banastar Type: CABU Yard: Oshima Shipbuilding Built: October 2001, delivery to a company in the Torvald Klaveness Group DWT: 72,562 LOA: 225.0m Beam: 32.26m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol and the three CLEANBU vessels with delivery in 2019. Final due date is December 2023.
	Vessel name: MV Barcarena Type: CABU Yard: Oshima Shipbuilding Built: March 2001, delivery to a company in the Torvald Klaveness Group DWT: 72,562 LOA: 225.0m Beam: 32.26m Place of registration: Norwegian International Register Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.
	Vessel name: MV Banasol Type: CABU Yard: Oshima Shipbuilding Built: January 2001, delivery to a company in the Torvald Klaveness Group DWT: 72,562 LOA: 225.0m Beam: 32.26m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol and the three CLEANBU vessels with delivery in 2019. Final due date is December 2023.
	Vessel name: MV Bangor Type: CABU Yard: Oshima Shipbuilding Built: October 2002, delivery to a company in the Torvald Klaveness Group DWT: 72,562 LOA: 225.0m Beam: 32.26m Place of registration: Norwegian International Register Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.

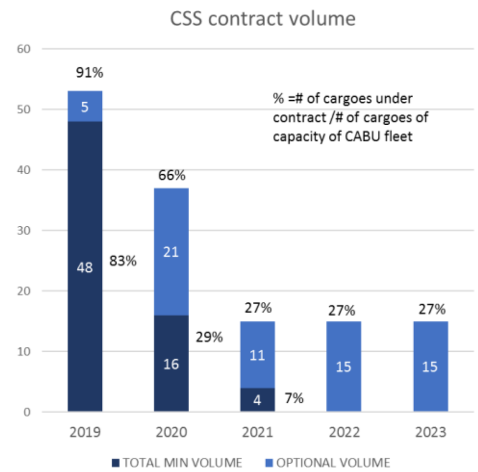
	Vessel name: MV Bantry Type: CABU Yard: Oshima Shipbuilding Built: August 2005, delivery to a company in the Torvald Klaveness Group DWT: 72,456 LOA: 225.0m Beam: 32.26m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.
	Vessel name: MV Bakkedal Type: CABU Yard: Oshima Shipbuilding Built: July 2007, delivery to a company in the Torvald Klaveness Group DWT: 72,456 LOA: 225.0m Beam: 32.26m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.
	Vessel name: MV Baffin Type: CABU Yard: Zheijang Ouhua SB Built: December 2016, delivery to a company in the Torvald Klaveness Group DWT: 80,235 LOA: 229.0m Beam: 32.27m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.
	Vessel name: MV Balboa Type: CABU Yard: Zheijang Ouhua SB Built: September 2016, delivery to a company in the Torvald Klaveness Group DWT: 80,344 LOA: 228.37m Beam: 32.27m Place of registration: Norwegian International Register Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.
	Vessel name: MV Ballard Type: CABU Yard: Zheijang Ouhua SB Built: May 2017, delivery to a company in the Torvald Klaveness Group DWT: 80,236 LOA: 228.37m Beam: 32.27m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Barcarena, MV Bantry, MV, Bangor, MV Bakkedal, MV Balboa, MV Baffin and MV Ballard. Final due date is March 2022.

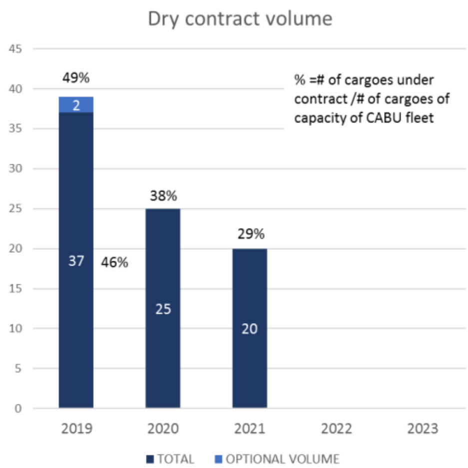
	Vessel name: MV Baru Type: CLEANBU Yard: Jiangsu New YZJ Built: January 2019, delivered to KCCS DWT: 82,425 LOA: 228.40m Beam: 34.50m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol and the three CLEANBU vessels with delivery in 2019. Final due date is December 2023.
	Newbuild #2-#8 Type: CLEANBU Yard: Jiangsu New YZJ Built: 2019, 2020 and 2021, delivery to KCC Shipowning AS DWT: 83,500 LOA: 228.40m Beam: 34.50m Place of registration: Marshall Islands Vessel owning company: KCC Shipowning AS Financing terms: NB 2 and NB 3 part of a fleet facility consisting of MV Banastar, MV Banasol and the three CLEANBU vessels with delivery in 2019. The newbuilding tranches are available on delivery of the vessels. Final due date is December 2023. NB 4 and NB 5 are financed under a credit facility entered into in March 2019. The facility will be up-sized to include also NB 6 and documentation of the up-sized loan agreement is in progress.

8.5.3 *Material contracts and charterers*

The Group targets to have a high contract coverage on the CABU wet caustic soda leg and a lower coverage on the dry leg. This is to create flexibility for the wet cargo customers as well as in the scheduling of the vessels, as there is good access to spot dry bulk cargoes out of the areas where the CABUs discharge caustic soda. Hence, it is less important to have contracts on the dry leg. The contract coverage of KCC Chartering AS as of the date of this Prospectus is set out in figures 28 and 29 below.

Figure 28 & 29: CSS and dry contract volumes (2019-2023)





The figures above shows the physical contract coverage for caustic soda and dry bulk for the CABU vessels for the period 2019-2023 based on number of cargoes under each contract. The contracts often have a minimum volume (dark blue) and additional volume being the cargo client's option to nominate (light blue). Approx. 40-45% of CABU fleet capacity is allocated to transportation of caustic soda and 55-60% to transportation of dry bulk products. The graphs shows that around 83% of the caustic soda capacity (i.e. volume, not rate exposure) for the CABU vessels for

2019 has been fixed, while around 46% of the dry bulk capacity for the CABUs has been fixed. If the cargo clients nominate the full possible volume under the COAs, total caustic soda coverage will be 91% and dry bulk coverage 49% for 2019. The one-year caustic soda contracts are usually tendered and concluded each fall and in addition volumes under the longer term COAs are nominated in the same period, hence the contract coverage for the coming year increases the last months prior to entering into a new year.

The key clients are large "blue chip" companies within the aluminium industry, of which several of them have been clients since before the first CABUs were delivered in 2001. The caustic soda contract counterparties in the Pacific are Alcoa, South 32, Mitsubishi Corp. and Marubeni Corp. In the Atlantic, the current caustic soda contract counterparties are Alcoa Alumar and Hydro Alunorte. As the Group targets to have a high contract coverage on the caustic soda legs, it is important to renew these contracts as they expire. The dry bulk contract counterparties are Alba, EGA, Hydro and Rio Tinto. The Group employs approximately six CABU vessels in the Pacific, two CABU vessels in the Atlantic and one vessel in trades between the basins. Hence, the Pacific contracts and business as such accounts for a larger part of the total earnings.

The first of the new generation combination carriers, the CLEANBUs, was delivered 10 January 2019. The seven next CLEANBU vessels are expected to be delivered in May (1) and June 2019 (1) and February (1), August (1) and October (1) 2020, and January (1) and February (1) 2021. Approx. 50% of CLEANBU fleet capacity is allocated to transportation of clean petroleum products and 50% to transportation of dry bulk products. Approximately 48% of the dry bulk exposure (i.e. price exposure) for 2019 has been fixed through COAs and forward freight agreements. The first COA for shipment of clean petroleum products was concluded in April 2019 and discussions are ongoing with additional charterers in targeted clean petroleum product trades to secure employment for part of the wet exposure in 2019 and 2020. The first CLEANBU vessel that was delivered 10 January 2019, lifted caustic soda for its first voyage. The vessel loaded its first CPP cargo in May and is targeted to start trading in combination pattern, switching between dry bulk products and clean petroleum products lather this year. The vessels are full-fledged LR1 tankers and can in addition to the target trading pattern sail as CABU vessels or as tanker or bulker vessels.

The Group has not entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Prospectus or any other contract entered into outside the ordinary course of business which contains any provision under which any member of the Group has any obligation or entitlement.

8.5.4 Acceptance of the CLEANBU vessels from clients and terminals

Cargo contamination due to inadequate tank cleaning and the specificities of the last cargo(es) carried by the tanker vessel in question is a common problem in the tanker trade. To reduce the risk of cargo contamination, most clients and terminals have internal policies setting requirements to the vessels' last cargoes, but policies differ depending on the type of tanker cargo to be transported and the way these policies are practised in day-to-day business. For transportation of caustic soda, which is the main wet cargo on the CABUs, some customers have a requirement that last cargo cannot be vegetable oil. As the CABUs trade more or less only in caustic soda and dry trades, this requirement poses no problem for the trading of the CABUs. In CPP trades, most oil and petrochemical companies, traders and terminals have requirement that the vessels' last two or three cargoes shall be clean petroleum products (CPP). For transportation of CPP on the CLEANBUs, the Group has obtained exemption from this requirement from some of the target customers and terminals and are working to obtain exemption from other potential clients and terminals. Such exemptions are based on Klaveness' long history and extensive experience with combination carriers, in-house technical management with well tested operational routines and highly trained crew as well as strong track record with only one single wet cargo claim on CABUs from delivery of the first vessel in 2001. Furthermore, customers emphasize the CLEANBU's unique cargo tank cleaning capabilities including the smooth cargo tank design without any obstructions, the efficient integrated cleaning machines and large fresh and hot water capacity. The CLEANBUs are dependent on obtaining continued exemptions to be able to continuously switch between dry bulk and clean petroleum products in certain trades.

8.5.5 Competitors

There is a limited number of combination carriers in the world, and only three of these vessels compete directly with the Group vessels. The main vessels competing with Group vessels are standard Panamax/Kamsarmax dry bulk vessels, MR tankers and LR1 tankers. The standard vessels are the price setters and as the combination carriers have two laden legs, KCC Chartering AS can, if needed, give the client a rebate to a standard vessel.

The dry bulk fleet as of February 2019 consisted of 11,388 vessels across all size segments, including 2,586 Panamax/Kamsarmax vessels (65,000 to 84,999 dwt). Dry bulk is the largest segment both in number of vessels and in carrying capacity within the global shipping industry. The ownership of dry bulk vessels is widely distributed among numerous owners and is considered to be more fragmented than any other sector. As per the date of this Prospectus, the orderbook for Panamax/Kamsarmax vessels consists of 258 vessels.

The product tanker fleet as of January 2019 consisted of 8,472 vessels across all size segments, including 1,525 MR tankers (40,000 to 59,999 dwt) and 367 LR1 tankers (55,000 to 84,999 dwt). As per January 2019, their orderbooks consists of 150 and 23 vessels, respectively.

8.5.6 Commercial management and operations

The core chartering team consists of one person in Oslo and two in Singapore, in addition to the managing director of the Company. In addition, the core combination carrier team consists of one business developer in Oslo. The chartering team is responsible for all contract negotiations and all daily chartering activities, including all wet trading and a large part of dry trading. The chartering team co-operates with Klaveness Dry Bulk on part of the dry bulk spot fixtures and the fixture fee for such voyages is 1.25%, in line with the market standard. The core combination carrier team is employed by Klaveness AS and the services provided are invoiced on a cost plus basis.

Commercial operations are handled by dedicated operators located in Singapore and Manila, employed by local Torvald Klaveness companies. The services are provided by Klaveness AS (with the local companies as sub-contractors) to KCC Chartering AS and the fee is priced using cost plus. KCC Shipowning AS has entered into a Ship Management agreement with Klaveness Ship Management AS for all vessels for an annual fixed fee per vessel, in line with market pricing. The Ship Management Agreement with Klaveness Ship Management AS has a minimum contract period of five years and may only be terminated before November 2023 if any of the termination events set out in the agreement occurs and will terminate in respect of any vessel that is sold or lost.

Klaveness AS also provides business administration services, supervision services and project management to the Group, priced using cost plus. All services are priced in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. The service agreements with Klaveness AS may be terminated by either party with three months' notice, or immediately if any of the termination events set out in the agreement occurs. Klaveness AS and Klaveness Ship Management AS are controlled by Rederiaksjeselskapet Torvald Klaveness.

8.5.7 Norwegian tonnage tax regime

All Group companies are incorporated in and tax resident in Norway. The Company, KCCC and KBA are subject to tax on income in accordance with the general tax rules pertaining to companies that are tax residents in Norway. Net taxable income is taxed at the corporate income tax rate, 23% for 2018 and 22% for 2019. Dividends and gains on shares in the Company's 100% owned subsidiaries are tax exempt according to the Norwegian exemption method.

KCCS is registered under the Norwegian tonnage tax regime. Under the tonnage tax regime, qualifying shipping income is exempt from taxation in Norway. Net financial income is subject to tax in accordance with the general Norwegian tax rules. Instead of tax on qualifying shipping income, a tonnage tax based on the net tonnage of the vessels is paid.

8.6 Environmental matters

The Group has ambitions to be in the forefront of making the shipping industry more environmentally sustainable. It recognizes its environmental responsibility and has a constant focus on reducing the environmental footprint of its activities with a target to move over time towards carbon neutrality. Its fleet of combination carriers, having an efficient dry-wet combination trading pattern with minimum ballast, emits up to 40% less GHG per transported ton of cargo than standard tankers and bulk carriers. The Group's vessels will at any time comply with all global and local environmental regulations and the Group will seek to implement new requirements well within deadlines. In addition, the Group will seek to go beyond full compliance in areas where the environmental effect can be documented by implementing existing or novel technology. The technical manager has environmental policies in place, with the focus on quality. Quality is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the outmost regard for the safety of crew, employees, the public and ensuring avoidance of damage to the environment, in particular to the marine environment and property. The Company is not aware of any environmental issues that may affect the Group and believes that the risk of liability related to emissions and contaminations is low.

8.7 Health and safety matters

The Group currently has no employees, but the health and safety of the personnel employed on board its ships and in all Torvald Klaveness offices is a key priority of the Company. The Company works closely with the technical manager of its vessels to ensure the highest possible safety standards of its fleet and to ensure proper reporting of any near accidents or accidents and the implementation of corrective actions and experience transfers across its fleet. Torvald Klaveness works actively to make employees aware of this goal and employees are at all times obligated to follow Torvald Klaveness' procedures and instructions based on its governing documents.

8.8 Insurance

The Group has various operating insurance policies, including Hull and Machinery, War Risk insurance, Loss of Hire, Freight, Demurrage and Defence insurance, and Protection and Indemnity insurance. The Group's insurance policies all follow one of the main insurance conditions in the marine markets: Hull & Machinery including Interests follow the Nordic Marine Insurance Plan of 2013, version 2016, and the same applies for Loss of Hire. The Group's vessels have or will have when delivered, Protection and Indemnity insurance with a club in the International Group. The War Risk cover is with Norwegian Shipowners' Mutual War Insurance Association (DNK), following its standard cover, and defence cover is with Nordisk Skibsrederforening.

The Group currently maintains insurance coverage of the type and in amounts that it believes to be customary in the industry, all subject to certain limitations, deductibles and caps. The Management and Board of Directors are also covered by directors and officers liability insurance.

8.9 Legal proceedings

The Group companies may, from time to time, be involved in litigation, disputes and other legal proceedings arising in the normal course of their business.

In May 2014, KCCC accepted a fine from the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM), linked to commission payments to a broker during the period from July 2003 to March 2004. Klaveness, on its own initiative, notified ØKOKRIM about the matter in 2010 and cooperated with ØKOKRIM in their investigation. The fine was related to matters that are now more than 15 years old, and based upon the fact that, in ØKOKRIM's opinion, Klaveness did not quickly enough adjust to the new corruption legislation introduced in 2003. No member of the KCC Board of Directors or Klaveness' present management was involved in the matter. ØKOKRIM closed the matter in 2014 and no investigations are ongoing.

Neither the Company nor any other company in the Group is, nor has been, during the course of the preceding 12 months, involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

8.10 Dependency on contracts, patents, licenses etc.

Other than set out in Section 8.5.3 "Material contracts" and 13 "Related Party Transactions" it is the Company's opinion that Klaveness Combination Carriers' existing business or profitability is not materially dependant on patents or licenses, industrial, commercial or financial contracts.

9 CAPITALISATION AND INDEBTEDNESS

9.1 Introduction

The financial information presented below has been extracted from the Company's Financial Statements as of 31 December 2018 and should be read in connection with the other parts of this Prospectus, in particular Section 10 "Selected Financial and Other Information" and Section 11 "Operating and Financial Review", and the Financial Statement and notes related thereto, included in Appendix B of this Prospectus.

The financial information presented below provides information about the Group's capitalisation and net financial indebtedness on an actual basis as at 31 December 2018 and, in the "As adjusted" columns, the Group's capitalisation and net financial indebtedness as at 31 December 2018, on an adjusted basis to give effect to the material post-balance sheet events.

The "as adjusted" column reflects adjustments to the Group's capitalisation and net financial indebtedness in respect of:

(i) Adjusted to include the drawdown of debt related to delivery of MV Baru (adjustment (i) in 9.2).

(ii) Adjusted to reflect settlement of USD 36 million unsecured loan from KSH and debtor change in KCC03 bond loan (adjustment (ii) in 9.2) whereby KCC has assumed all obligations related to a NOK 300 million unsecured bond loan (please see description under Section 11 "Operating and Financial Review").

(iii) Adjusted to reflect the issuance of 7,368,000 new shares in the Company through a Private Placement with net proceeds of NOK 331 million (USD 38 million), completed on 15 May 2019.

Other than as set forth above, there has been no material change to the Group's capitalisation and net financial indebtedness since 31 December 2018.

9.2 Capitalisation

The following table sets forth information about the Group's capitalisation as at 31 December 2018, derived from the Financial Statements:

	As at 31 December 2018	Adjustments *(unaudited)*	As adjusted *(unaudited)*
In USD '000			
Total current debt:			
Guaranteed	-	-	-
Secured	14 372	1 722 [i]	16 094
Unguaranteed and unsecured	9 205	-	9 205
Total current debt:	**23 577**	**1 722**	**25 299**
Total non-current debt:			
Guaranteed	-	-	-
Secured	95 746	29 278 [i]	125 024
Unguaranteed and unsecured	36 450	(630) [ii]	35 820
Total non-current debt:	**132 196**	**28 648**	**160 844**
Total indebtedness	**155 773**	**30 370**	**186 143**
Share capital	4 863	844 [iii]	5 707
Additional paid-in capital	92 322	37 156 [iii]	129 478
Retained earnings	80 901	-	80 901
Non-controlling interests	-	-	-
Total shareholders' equity	**178 086**	**38 000**	**216 086**
Total capitalisation	**333 859**	**68 370**	**402 229**

As security for the bank debt, KCCS has granted first priority mortgage security in vessels, earnings account pledges, and assignment of the earnings and insurances of the vessels in favour of the lenders. KCCC has entered into an overdraft facility pledged with receivables and bunkers inventory. Book value of the pledged assets was USD 179.4 million as per 31 December 2018.

Notes to the capitalisation table above:

(i) Adjusted to include the drawdown of USD 31.0 million (USD 1.7 million in short term debt and USD 29.3 million in long term debt) in debt related to delivery of MV Baru.

(ii) Adjusted to reflect settlement of cancellation of USD 36 million unsecured loan from KSH and debtor change in KCC03 bond loan (net effect was USD 0.6 million).

(iii) Adjusted to reflect the issuance of 7,368,000 new shares in the Company through a Private Placement with net proceeds of NOK 331 million (USD 38 million), completed on 15 May 2019.

9.3 Indebtedness

The following table sets forth information about the Group's net financial indebtedness as at 31 December 2018, derived from the Financial Statements:

In USD '000		**As at 31 December 2018**	**Adjustments** *(unaudited)*	**As adjusted** *(unaudited)*
(A)	Cash	88 263	24 000 [iv]	112 263
(B)	Cash equivalents	-	-	-
(C)	Trading securities	-	-	-
(D)	**Liquidity (A)+(B)+(C)**	**88 263**	**24 000**	**112 263**
(E)	**Current financial receivables[(i)]**	10 928	**-**	**10 928**
(F)	Current bank debt	2 172	-	2 172
(G)	Current portion of non-current debt	12 200	1 722 [v]	13 922
(H)	Other current financial debt[(ii)]	9 082	-	9 082
(I)	**Current financial debt (F)+(G)+(H)**	**23 454**	**1 722**	**25 176**
(J)	**Net current financial indebtedness (I)-(E)-(D)**	**(75 737)**	**(22 278)**	**(98 015)**
(K)	Non-current bank loans	95 746	29 278 [v]	125 024
(L)	Bonds issued	-	-	-
(M)	Other non-current loans[(iii)]	36 450	(630) [vi]	35 820
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	132 196	**28 648**	**160 844**
(O)	**Net financial indebtedness (J)+(N)**	**56 459**	**6 370**	**62 829**

Notes to the indebtedness table above:

(i) Current financial receivables include trade receivables and other current assets (USD 9.870 million), receivables from related parties (USD 0.594 million) and current financial assets (USD 0.464 million).

(ii) Other current financial debt includes trade and other payables (USD 7.601 million), current debt to related parties (USD 0.563 million) and financial liabilities (USD 0.918 million).

(iii) Other non-current loans include long-term liabilities to group companies (USD 36 million) and financial liabilities (USD 0.450 million).

(iv) Cash is adjusted for payment of USD 14.0 million related to instalments on newbuildings in January and February 2019 in addition to Private Placement note (vii) below.

(v) Adjusted to include the drawdown of USD 31.0 million (USD 1.722 million in short term debt and USD 29.278 million in long term debt) in debt related to delivery of MV Baru.

(vi) Adjusted to reflect settlement of USD 36 million unsecured loan from KSH and debtor change in KCC03 bond loan from KSH to KCC (net effect was USD 0.630 million).

(vii) Adjusted to reflect the issuance of 7,368,000 new shares in the Company through a Private Placement with net proceeds of NOK 331 million (USD 38 million), completed on 15 May 2019.

Below is a list of guarantees given at date of this Prospectus:

Guarantee to	Description	Amount
BHP Billiton Marketing AG	AS Klaveness Chartering (affiliated company, not part of the KCC Group of companies) guarantees for the performance of KCC Chartering AS for COA commitments in the period 2010-2013 for transportation of caustic soda solution from ports in the far/middle east to ports in western Australia.	COA period is over, however claims can be placed until 6 years after last cargo.
Jiangsu New Yangzi Shipbuilding Co., Ltd	Klaveness Combination Carriers AS guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the yard for the 3rd and 4th instalments for the shipbuilding contracts YZJ 2015-1226, YZJ 2015-1227 and YZJ 2015-1228.	USD 9.3 million per newbuilding + 5% interest p.a.

9.4 Working capital statement

The Company is of the opinion that the working capital available to the Group is sufficient for the Group's present requirements, and for the period covering at least 12 months from the date of this Prospectus.

9.5 Contingent and indirect indebtedness

As at 31 December 2018 and as at the date of this Prospectus, the Group did not have any contingent or indirect indebtedness.

10 SELECTED FINANCIAL AND OTHER INFORMATION

10.1 Introduction and basis for preparation

The following discussion of the financial condition and results should be read in conjunction with the financial statements as of 31 December 2018 and the notes thereto that have been included in Appendix B. The Company was established on 23 March 2018, and has as a result not prepared annual financial statements previously. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS (KCCS) and KCC KBA AS (KBA), and is considered a continuation of the underlying business in these entities. 2018 is therefore presented as if KCCS and KBA had been owned from the beginning of the year, and in the comparable period for 2017.

As the Group was reorganised in March 2018 with KCC as a new holding company (with KCCS and KBA contributed as equity), the financial history of the Company is considered to be complex in accordance with the prospectus rules. To provide three years of historical financial information, the Prospectus includes consolidated financial information for the years 2016 and 2017 for the existing business in KCC Shipowning AS (KCCS) prepared in accordance with IFRS as adopted by the EU. Consolidated financial statements for KCCS for 2016 and 2017 provide a fair view of the historical financial information for the combination carrier business. KBA is excluded as this entity had no activity as of 23 March 2018. The very limited activity in KBA prior to the reorganisation is not considered relevant for the current or the future business of the Group as this was ownership and operations of standard bulk vessels and is hence excluded.

KCC further acquired KCC Chartering AS (KCCC) in a business combination in end of March 2018. This business combination under common control has been accounted for using the acquisition method. This entity has been consolidated from the date of control on 23 March 2018, but as a practical approximation, it has been included in the consolidated numbers from 1 April 2018 (no restatement of comparative figures, or period prior to 1 April 2018). Prior to the acquisition, KCCC distributed its net revenue to the pool participants as variable time charter revenue. During the period 2016-2018 only KCCS Group owned vessels (directly and indirectly) participated in the pool, hence all pool distribution from KCCC was distributed to KCCS Group. As such the acquisition has limited impact on net result of the consolidated income statement of KCC, but represents a material change in gross operating revenues, voyage expenses, inventories, trade receivables and trade payables. For the period before the acquisition, all results were distributed to the vessel owners as hire presented as charter hire revenue in the consolidated accounts.

Accounting treatment of establishment of KCC and acquisition of shares in KCCC is further explained in Section 11.8 "Critical accounting policies and estimates".

The following summary of consolidated financial data has been derived from the Group's consolidated financial statements as per 31 December 2018 and from the consolidated annual financial statements of KCC Shipowning AS for the years ending 31 December 2016 and 2017. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Since the Group is a continuation of the businesses of KCCS and KBA that have been under the control of the same owner, Klaveness Ship Holding AS, furthermore as the financial statements for KCCS and KBA have historically been prepared under IFRS, no IFRS adjustments have been necessary for the Group's financial reporting as otherwise would have been warranted by IFRS 1 "First time adoption of International Financial Reporting Standards".

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

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

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

The consolidated financial statements are based on historical cost, except for derivative financial instruments which are measured at fair value. The consolidated financial statements are prepared under the going concern assumption.

10.2 Summary of accounting policies and principles

For information regarding accounting policies and the use of estimates and judgements, please refer to note 1 of the Financial Statement as per 31 December 2018 and note 1 of the historical financial statements of KCC Shipowning AS for the years ending 31 December 2016 and 2017, included in this Prospectus as Appendix B and C, respectively.

10.3 Consolidated historical financial information

The following tables present data extracted from the Group's financial statements for 2018 and from the consolidated annual financial statements of KCC Shipowning AS for the year ending 31 December 2016 and prepared on basis of described information in Section10.2. The presented data is in accordance with IFRS.

10.3.1 Consolidated income statement

The table below sets out selected data from the Group's consolidated income statement for the period 1 January 2018 to 31 December 2018 (KCC) with comparable figures for 2017, in addition to full year figures for KCC Shipowning AS for 2016. See Section 10.1 "Introduction and basis for preparation" for explanation.

	Year ended 31 December		
	2018	**2017**	**2016**
In USD '000	*(audited)*	*(audited)*	*(audited)*
Continuing operations			
Freight revenue	84 284	-	-
Charter hire revenue	17 540	46 235	41326
Total revenue, vessels	**101 824**	**46 235**	**41 326**
Voyage expenses	(45 431)	-	-
Net revenues from operation of vessels	**56 393**	**46 235**	**41 326**
Operating expenses, vessels	(21599)	(21199)	(16 710)
Group commercial and administrative expenses	(3 618)	(1167)	(1333)
Tonnage tax	(119)	(112)	(81)
Other operating and administrative expenses	(300)	(170)	(48)
Depreciaton	(16 840)	(16 867)	(13 006)
Total operating expenses	**(42 476)**	**(39 515)**	**(31 178)**
Operating profit (loss)	**13 917**	**6 720**	**10 149**
Financial income	2 234	1709	1910
Financial expenses	(7 374)	(5 331)	(3 465)
Net financial income (expenses)	**(5 140)**	**(3 622)**	**(1 555)**
Profit before taxes	**8 777**	**3 098**	**8 594**
Tax expense	59	(38)	449
Profit after tax	**8 836**	**3 060**	**9 043**
Profit after tax from discontinuing operations	-	(318)	26 727
Profit for the year	**8 836**	**2 742**	**35 769**
Other comprehensive income	385	(86)	-
Total comprehensive income	**9 221**	**2 655**	**35 769**
Basic and diluted profit per share	**0.00**	**0.00**	

10.3.2 Consolidated statement of financial position

The table below sets out selected data from the Group's consolidated statement of financial position as at 31 December 2018, 2017 and 2016. See Section 10.1 "Introduction and basis for preparation" for explanation.

	Year ended 31 December		
	2018	**2017**	**2016**
In USD '000	*(audited)*	*(audited)*	*(audited)*
Deferred tax asset	15	-	-
Vessels	167 037	179 785	158 852
Newbuilding contracts	59 877	37 751	31995
Long-term receivable from related parties	-	13 788	15 000
Financial assets	1855	912	1052
Total non-current assets	**228 785**	**232 236**	**206 899**
Financial assets	464	-	-
Inventories	5 883	726	659
Trade receivables and other current assets	9 870	1893	6 491
Receivables from related parties	594	7 638	2 572
Cash and cash equivalents	88 263	51538	64 908
Total current assets	**105 074**	**61795**	**74 631**
Assets held for sale	-	-	-
TOTAL ASSETS	**333 859**	**294 032**	**281530**
Share capital	4 863	-	190
Share premium	92 271	48 997	41608
Other reserves	51	-	-
Retained earnings	80 901	103 877	119 339
Non-controlling interests	-	20 441	14 330
Total equity	**178 086**	**173 315**	**175 467**
Mortgage debt	95 746	94 765	80 574
Other long-term liabilities to related parties	36 000	-	-
Financial liabilities	450	1509	2 117
Deferred tax liability	-	59	-
Total non-current liabilities	**132 196**	**96 333**	**82 691**
Short term mortgage debt	12 200	20 549	19 818
Other interest bearing liabilities	2 172	-	-
Financial liabilities	918	-	-
Trade and other payables	7 724	3 835	3 553
Current debt to shareholders	563	-	-
Total current liabilities	**23 577**	**24 384**	**23 372**
Liabilities directly associated with assets held for sale	-	-	-
TOTAL EQUITY AND LIABILITIES	**333 859**	**294 032**	**281530**

10.3.3 Consolidated statement of cash flow

The table sets out selected data from the Group's consolidated statement of cash flow for the twelve months ended 31 December 2018, 2017 and 2016. See Section 10.1 "Introduction and basis for preparation" for explanation.

	Year ended 31 December		
	2018	2017	2016
In USD '000	*(audited)*	*(audited)*	*(audited)*
Profit before tax continuing operations	8 777	3 098	8 594
Profit before tax from discontinuing operations	-	57	26 727
Tonnage tax expensed	119	112	81
Ordinary depreciation and impairment	16 840	16 867	13 006
Net gain/loss fixed assets	-	-	(26 469)
Amortization of upfront fees bank loans	228	258	233
Financial derivatives unrealised loss / gain (-)	(1 163)	(518)	(903)
Interest income	(1071)	(1355)	(641)
Interest expenses	6 972	4 886	2 098
Taxes paid for the period	-	(73)	(1528)
Change in receivables	(2 070)	(381)	6 373
Change in current liabilities	(1782)	206	(3 325)
Change in other working capital	-	-	592
Interest received	1071	1355	641
Net cash flow from operating activities	**27 920**	**24 513**	**25 479**
Aquisition of tangible assets	(2 817)	(3 368)	(2 638)
Installments/other costs newbuilding contracts	(22 126)	(40 188)	(64 647)
Payments received disposal of vessels			190 000
Acquisition of subsidiaries, net of cash	863	-	-
Net cash from from investment activities	**(24 080)**	**(43 556)**	**122 715**
Proceeds from mortgage debt	-	36 518	63 861
Repayment of mortgage debt	(7 528)	(21783)	(81733)
Interest paid	(7 103)	(5 144)	(2 098)
Capital increase/decrease (-)	56 419	6 500	(73 500)
Payments made by increase of loans to related parties	-	216	(15 000)
Aquisition of non-controlling interests	(622)	-	-
Group contribution	(9 958)	(11 640)	(41594)
Dividends to non-controlling interests	(495)	(1346)	(4 849)
Net cash flow from financing activities	**30 713**	**3 322**	**(154 913)**
Net change in the liquidity in the period	**34 552**	**(15 721)**	**(6 720)**
Cash and cash equivalents at the beginning of the period	51538	67 259	71628
Cash and cash equivalents at the end of the period	86 090	51538	64 908
Net change in cash and cash equivalents in the period	**34 552**	**(15 721)**	**(6 720)**

10.3.4 Consolidated statement of changes in equity

The table below sets out selected data from the Group's audited consolidated statement of changes in equity for the period ended 31 December 2018.

In USD '000	**Share capital**	**Other paid in capital**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity at 1 January 2018	**-**	**48 997**	**-**	**103 877**	**152 873**	**20 441**	**173 315**
Profit (loss) for the period	-	-	-	7 978	7 978	858	8 836
Other comprehensive income for the period	-	-	51	-	51	334	385
Bonus issue (establishement March 23, 2018)	142	(142)	-	-	-	-	-
Capital reduction	(13)	(35 987)	-	-	(36 000)	-	(36 000)
Capital increase (April 25, 2018)	36	39 695	-	-	39 731	-	39 731
Bonus issue	3 684	(3 684)	-	-	-	-	-
Acquisition of non-controlling interest (April 25, 2018)	-	-	-	(260)	(260)	(363)	(623)
Acquisition of non-controlling interest (April 30, 2018)				(6 947)	(6 947)	(20 775)	(27 723)
Group contribution	-	-	-	(23 746)	(23 746)	-	(23 746)
Dividends to non-controlling interests	-	-	-	-	-	(495)	(495)
Capital increase (October 10, 2018)	1 014	43 393		-	44 407		44 407
Equity at 31 December 2018	**4 863**	**92 271**	**51**	**80 901**	**178 086**	**-**	**178 086**

10.4 Independent auditor

The Company's independent auditor is Ernst & Young AS, with business registration number 976 389 387, and registered address at Dronning Eufemias gate 6, 0191 Oslo. EY is a member of Den Norske Revisorforeningen (The Norwegian Institute of Public Accountants). EY has been the Company's auditor since incorporation in 2018. For subsidiaries of the Group, EY has been the auditor from the financial year 2000 and was re-elected with change of chief auditor in connection with a tender process in 2016.

The financial statements of Klaveness Combination Carriers AS as of 31 December 2018 and the financial statements for KCC Shipowning AS as of 31 December 2017 and 2016 and for each of the years then ended, included in Appendix B and Appendix C, respectively, of this Prospectus, have been audited by Ernst & Young AS, independent auditors, as stated in their reports appearing herein.

11 OPERATING AND FINANCIAL REVIEW

This operating and financial review should be read together with Section 4 "General Information", Section 8 "Business overview", Section 10 "Selected Financial and Other Information" and the Financial Statements and related notes included in Appendix B and C, of this Prospectus. This operating and financial review contains forward-looking statements. These forward-looking statements are not historical facts, but are rather based on the Group's current expectations, estimates, assumptions and projections about the Group's industry, business, strategy and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in Section 2 "Risk Factors" and Section 4.5 "Cautionary note regarding forward-looking statements" of this Prospectus, as well as other sections of this Prospectus. An overview of the APMs discussed in this operating and financial review is presented in Section 4.3.3 "Alternative Performance Measures".

11.1 Overview

Klaveness Combination Carriers owns and operates a fleet of 10 combination carriers on water and seven newbuildings on order with expected delivery in 2019-2021. The fleet can be split in two generations of combination carriers, nine CABUs, built between the years of 2001-2017 and eight CLEANBUs built between the years of 2019-2021. The CABUs switch continuously between transporting dry bulk products and caustic soda solution and operates in the Pacific, the Atlantic and on cross-trades between the two basins. The caustic soda cargo clients are mainly large companies within the aluminium industry and KCC transports around 40% of all caustic soda imports into Australia and Brazil. The vessels can also transport some other wet products such as molasses and floating fertilizer (UAN).

The new generation of combination carriers, the CLEANBUs, can in addition to transporting caustic soda, UAN and molasses on the wet leg, transport all sorts of clean petroleum products (CPP) and the intention is that the vessels will transport clean petroleum products on the wet leg and dry bulk products on the return leg. The vessels are hence based on the same concept as the CABUs, with two laden legs and limited ballast, but while the CABUs have a large market share in the caustic soda market, the CLEANBUs target a much larger market. Total seaborne trade of caustic soda is around 18 million mt p.a., with Brazil and Australia representing around 55%. The volumes into these regions have remained stable of the past years, but sourcing has become increasingly diverse on the back of increased plant capacity in the US Gulf. CPP volumes into the targeted areas, Australia, Brazil and Chile/Peru are in comparison around 62 million mt p.a. While KCC now enters new products through targeting the petrochemical industry, the concept has earlier been introduced into new geographical areas. Prior to delivery of the three CABU vessels in 2016 and 2017, the fleet of six CABU vessels transported caustic soda from the Middle East and Far East to Australia and returned with dry bulk products. In 2014, as part of the fleet expansion plan, the CABUs entered the caustic soda transportation market in the Atlantic, servicing Hydro Alunorte and Alcoa Alumar in Brazil with caustic soda mainly from the US Gulf and returning with dry bulk products.

All vessels and newbuildings are owned by KCC Shipowning AS (KCCS) and are employed or will be employed on open rate time charter contracts to KCC Chartering AS (KCCC). KCCC has no external vessels employed. KCCC operates the vessels as one fleet, optimizing the total earnings for the fleet and distributes earnings to the vessels once a month based on each vessel's Vessel Earning Points (VEP). The VEP is set once a year and is mainly based on fuel consumption, fuel prices, cargo intake, contract portfolio, trading pattern and rate levels. KCC Chartering AS is the counterparty in all freight contracts and KCCC typically enters into short to long term contracts of affreightment (COA) for caustic soda volumes and to a lesser degree dry bulk volumes, and in addition employs the vessels on a spot basis in the market. The tenor of the COA contracts at signing has historically been between one and eight years and the remaining duration is per now up to three years, with expiry at the end of 2021. The first CPP COA was concluded in April 2019 and ate intention is to expand the CPP COA portfolio to secure part of the cash flow also for the CLEANBUs when these vessels are delivered from 2019 to 2021. In some cases, KCCC relets volumes on a voyage basis or hire in time charter vessels for up to six months to optimize trading and earnings.

11.2 Factors affecting the Group's results of operations

The Group's results of operations have been, and will continue to be, affected by a range of factors, many of which are beyond the Group's control. The key factors that Management believes have had a material effect on the Group's results of operations during the period under review, as well as those considered likely to have a material effect on its results of operations in the future, are described below.

11.2.1 Macroeconomic conditions

Changes in national and international economic conditions, including for example interest rate levels, inflation and employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments, none of which will be within the control of the Company, may negatively impact the Group's earnings, and overall investor returns.

11.2.2 Market conditions

The demand for caustic soda, other wet products including fuel products and dry bulk products are outside of the Group's control and depend, among other things, on the global economy, global trade growth, as well as prices for the different commodities. On the supply side, there are uncertainties tied to ordering of new vessels and scope of future scrapping. Earnings after expiration of the fixed contract terms may be lower than the Group estimates.

Market risks in the shipping markets relate primarily to changes in freight rates, fuel prices and vessel values. The combination carriers transport both dry and wet cargo, hence both the product tanker and dry bulk markets impact earnings. Positive outlook for dry bulk markets, prospects for a recovery in the product tanker and positive effects from IMO 2020 sulphur cap represent an upside potential in KCCs earnings going forward.

11.2.3 IMO 2020 sulphur cap regulations

1 January 2020 has been set as the implementation date for a significant reduction in the sulphur content of the bunker fuel oil used by ships. The reduction in sulphur oxide emissions resulting from the lower global sulphur limit is expected to have a significant effect on bunker fuel prices going forward. There is large uncertainty as to how this will affect prices, the price spread between the different fuel types and the supply of the different fuel types, however, fuel prices for low sulphur fuel is likely to increase. Combination carriers are positioned to capitalize on the IMO 2020 Sulphur cap and expected future CO2 emission regulations. In most of the existing and targeted dry bulk/wet combination trades in which the Group’s vessels are employed, a standard dry bulk and tanker vessel typically ballasts 40-50% of the time and receives compensation for fuel and time used on the ballast leg. The Group’s combination carriers will get the same ballast compensation as the competing standard vessels, despite having minimum ballast and two paying laden legs covering the costs of bunkers. This creates a favourable exposure to bunker prices and contributes to increasing the Group’s net earnings; i.e. higher fuel prices have a positive impact on the Group’s earnings.

Please see Sections 2.1.7 “Changes in the legislative and fiscal framework may affect profitability”, 7.7.1 “Demand and supply balance of the bunker fuel market”, and 8.2 “Corporate Strategy” for further explanation on the expected and possible impacts of IMO 2020 regulations on the Company.

11.2.4 Contract coverage and combination trading pattern

The CABU trade is based on continuous renewal of COAs for the transportation of caustic soda and a shortfall of contracts will most likely impact earnings negatively. A solid coverage on the tanker leg for the CABUs is important to be able to optimize the trading pattern. The outlook for securing adequate volumes is good and approximately 70% of the wet volume for 2019 has been secured at the date of this prospectus. A new three-year COA contract for 2019-2021 has been agreed with one of the most important CSS customers, South 32.

11.2.5 Phase-in of the CLEANBU vessels

The combination carrier concept will expand into new trades, with new clients during 2019 through delivery of three CLEANBU vessels. The Group works to finalize commercial agreements with companies within the petroleum and petrochemical industries for the wet leg, starting in Australia and South America. On the return leg, the CLEANBUs will, as the CABUS, transport various dry bulk commodities. The first voyages will likely be caustic soda cargo and/or pure tanker trading, before starting to switch continuously between clean petroleum products and dry cargoes. It is also likely that some rebates are given to the clients in the early stages of trading the new vessels. Such factors are likely to impact earnings for the CLEANBUs in 2019.

11.3 Comparability of financial information for the years 2016, 2017 and 2018

Klaveness Combination Carriers AS (“KCC”) was established 23 March 2018 as a 100 % owned subsidiary of Klaveness Ship Holding AS. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS (“KCCS”, formerly T Klaveness Shipping AS) and KCC KBA AS (formerly Klaveness Bulk AS). The shares were valued at continuity as the transaction is considered a group reorganisation and not a business combination. As KCC was concluded to be a continuation of existing business, KCCS and KBA have been part of the Group from the beginning of 2018. At the same date of the establishment, KCC Chartering AS (“KCCC”, formerly Cabu Chartering AS) was sold from Rederiaksjeselskapet Torvald Klaveness to KCC at fair value. The consolidated 2018 financial statements for KCC hence includes KCCS and KCC KBA AS with effect from 1 January 2018. KCCC has been consolidated from the date of control on 23 March 2018, but as a practical approximation, it has been included in the consolidated numbers from 1

April 2018 (no restatement of comparables, or period prior to 1 April 2018). The comparable financial figures for 2017 include KCCS and KBA, while the comparable financial figures for 2016 are based only on KCCS's audited financial statements. KBA owned standard dry bulk tonnage prior to 2017 and is hence not relevant for the comparison.

KCCC is a chartering company with the objective of obtaining best possible aggregated results for distribution to the vessel owners. KCCC only has participants (vessels) owned by subsidiaries of KCC. Prior to the acquisition, KCCC distributed its net revenue to the Group as variable time charter revenue. As such the acquisition has limited impact on net result of the consolidated income statement of KCC, but represents a material change in gross operating revenues, voyage expenses, inventories, trade receivables and trade payables. For the period before the acquisition, all net results were distributed to the vessel owners as hire presented as charter hire revenue in the consolidated accounts.

On 25 April 2018, KCCS bought 50 shares in Cabu V Investment Inc from Babar Shipping I and II AS, resulting in 100 % ownership. On 30 April 2018 KCCS bought the shares in Baffin Shipping AS, Ballard Shipping AS, Cabu VI Investment Inc, Banasol Inc and Banastar Inc from an affiliated company of Hundred Roses Company (HRC) and EGD Shipholding AS (EGD), resulting in 100 % ownership in said companies. The shares were settled by a promissory note (debt to the external partners). The promissory note was used as contribution in kind from HRC and EGD in KCC, in addition to cash injection of USD 12.0 million. Hence, after 24 April 2018, all subsidiaries of in the Group were owned 100%. In October of 2018, the Company successfully completed the private placement of Shares of USD 45 million (less transaction costs of USD 0.6 million) and issued 8,241,750 new shares at a subscription price of USD 5.46 per share. The Company’s shares were tradable on N-OTC from 15 October 2018.

11.3.1 Revenues

As mentioned, KCCC is a chartering company with the objective of obtaining best possible aggregated results for distribution to the vessel owners. KCCC only has participants (vessels) owned by subsidiaries of KCC. Prior to the acquisition in March 2018, this is reported as Charter hire revenue in the Income Statement. After the acquisition, the revenues are reported on a gross basis, split in Freight revenue, Charter hire revenue and Voyage expenses. Hence, only the net revenues from operations of vessels are comparable financial information for 2016, 2017 and 2018.

11.3.2 Group commercial and administrative services

Commercial management is provided from affiliated Torvald Klaveness companies outside of the KCC Group of companies. The services are charged KCCC, hence charter hire revenue was net of this fee prior to the purchase of KCCC in March 2018. After the acquisition of KCCC, the fee is reported as part of Group commercial and administrative services. Please refer to note 19 in the Financial Statements for 2018 (appendix B)

11.3.3 Current liabilities and current assets

The KCCC balance sheet mainly consists of current assets and liabilities and hence impacts inventory, trade receivables and trade payables after KCCC is included in the consolidated accounts after the acquisition in March 2018.

11.3.4 Revenue recognition (IFRS 15)

Revenue from contracts with customers is recognized 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. While this represents a change in the period over which revenue is recognized, the total voyage result recognized over all periods would not change (discharge-to-discharge prior to adoption of IFRS 15). The change in revenue recognition due to IFRS 15 resulted in USD 0.4 million less in revenue recognized as per 31 December 2018 compared to what would have been recognized for the period if the previous recognition principle had been applied. As the Group did not have any freight revenue in 2017, and the recognition of charter revenue has not changed as a result of IFRS 15, there was no implementation effect of IFRS 15 recorded against equity. Other revenue from services, such as demurrage, is recognized when earned and is included in freight revenue.

For more information see note 1, basis for preparation in the Annual Accounts 2018.

11.4 Year ended 31 December 2018 compared to the year ended 31 December 2017

The Group’s total revenue amounted to USD 101.8 million for 2018, whereas USD 84.3 million is freight revenue from KCC Chartering AS from April 2018 to 31 December 2018, and USD 17.5 million is Charter hire revenue from KCC Chartering AS from January to March 2018, representing net revenue from the period before the Group acquired KCC

Chartering AS. Total voyage expenses amount to USD 45.4 million, and are voyage expenses in KCC Chartering AS from April 2018 to 31 December 2018. This results in Net revenue from operations of vessels of USD 56.4 million for 2018. For 2017, this amounts to USD 46.2 million. Prior to KCCC being a part of the Group, revenues were reported net of voyage expenses, i.e. charter hire revenue. Charter hire revenue is equal to net revenue from operations of vessels for 2017 and 2016. Commercial management fee is a mentioned in Section11.3.2 "Group commercial and administrative services", included in Charter hire until the acquisition of KCCC in March 2018 and is part of Commercial and administrative services after the acquisition. Commercial management fee was USD 1.8 million in 2017. Net revenue from operations of vessels was USD 10.2 million higher in 2018 than in 2017 and when adjusting for the Commercial management fee in 2017, USD 8.4 million higher. Average rate per day was in 2018 USD 17 492 per day and USD 15 164 per day in 2017. When adjusting for the Commercial management fee, the average rate for 2017 was USD 15 743 per day. The main reasons for the rate increase are improved dry bulk market and higher fuel prices, more optimal trading pattern and a higher number of caustic soda trading days in the Pacific. Another factor is more vessel operating days in 2018 as MV Ballard was delivered from the yard in May 2017.

Operating expenses ("**Opex**") from vessels consist of technical costs such as crew costs and technical costs in relation to vessel operations and technical management, amounting to USD 21.6 million for 2018 and USD 21.2 million for 2017, and increase of USD 0.4 million. Due to the delivery for MV Ballard in May 2017, operating expenses includes more operating days in 2018. Operating expenses per day was USD 6 675 in 2018 and USD 6 719 in 2017.

Group commercial and administrative expenses amount to USD 3.6 million in 2018 and comprise administrative and business management services delivered from related parties to the Group, as well as commercial management services covering chartering and operations. Before the acquisition of KCC Chartering AS, the commercial management fee was included in the charter hire distributed to vessel owners (gross freight revenue deducted for all voyage expenses including commercial management fee). Following the acquisition of KCCC, expenses from the chartering company are consolidated by the Group from the acquisition date, and as such commercial management fee for the chartering activities is an expense for the Group. In 2017, Group commercial and administrative services amounted to USD 1.2 million in 2017, however when including the commercial fee reported as net of Charter hire, the comparable amount is USD 2.9 million. These services are from 2018 based on cost + 5-10% in accordance with the arm's length principle and OECD guidelines.

The Group's net financial expenses amounted to USD 5.1 million in 2018 and USD 3.6 million in 2017. The main reasons for the increase are higher interest-bearing debt due to a loan from the main shareholder Klaveness Ship Holding AS of USD 36 million entered into in 2018, somewhat higher interest expenses on external debt, partly offset by higher positive mark-to-market effects in 2018.

As the Group mainly operates in the Norwegian tonnage tax regime which exempts ordinary tax on shipping income, the tax income for the Group was USD 59 thousand in 2018 and an expense of USD 38 thousand in 2017.

Profit for the year 2018 was USD 8.8 million, whereas USD 0.9 million is attributable to non-controlling interests for the period prior to the acquisition of the non-controlling interests (1 January 2018 to 30 April 2018). Profit in year 2017 was, in comparison, USD 3.1 million (continuing operations), whereas USD 1.0 million is attributable to non-controlling interests.

Total assets as at 31 December 2018 was USD 333.9 million compared to USD 294.0 million as at 31 December 2017. The increase was primarily due to equity raised in 2018 and higher interest-bearing debt as a consequence of a capital decrease resulting in a loan from Klaveness Ship Holding AS carried out in connection with the consolidation of the combination carrier activities under Klaveness Combination Carriers AS in 2018. Cash and cash equivalents increased by USD 36.7 million mainly due to positive cash flow from operations and equity raised in 2018, partly off-set by investments in newbuildings and dry-docking, repayment of debt and group contribution.

As of year-end 2018, the equity was USD 178.1 million (with an equity ratio of 53%) up from USD 173.3 million at year-end 2017. The main equity effects were the capital decrease resulting in a loan of USD 36 million from Klaveness Ship Holding AS, group contribution of USD 23.7 million made as part of the consolidation of all combination carrier activities under the KCC umbrella, more than offset by USD 57 million in capital increase from existing and new shareholders and profit for the year of USD 8.8 million. Total interest-bearing debt as at 31 December 2018 was USD 146.1 million compared to USD 115.3 million as at 31 December 2017. The Group refinanced two mortgaged loans in 2018 with a total balloon payment of USD 9 million. The loans were refinanced with the existing bank and increased by USD 3 million. The increase in interest-bearing debt mainly relates to the loan from Klaveness Ship Holding AS.

Net cash flow from operating activities was USD 27.9 million in 2018 compared to USD 24.5 million in 2017. The increase was primarily due to increase in profit before tax and partly due to changes in current items. Net cash flow from investing activities was negative USD 24.1 million compared to negative USD 43.6 million. The cash flow from investing activities consists primarily of yard installments and other costs related to newbuildings and in addition dry-docking costs. The major part of the yard cost is paid on delivery and the Group took delivery of one vessel in 2017. Net cash flow from financing activities was USD 30.7 million compared to USD 3.3 million. The main item in 2017 was increase in proceeds from borrowings related to delivery of one newbuilding, while the capital increases were the main contributors in 2018.

11.5 Year ended 31 December 2017 compared to the year ended 31 December 2016

Continuing operations in the financial accounts for 2017 and 2016 comprise the combination carrier business, while discontinued operations are related to other segments sold in 2016. Total operating revenue increased by USD 4.9 million from 2016 to 2017. The rate was about USD 3,300/day lower in 2017 compared to 2016, however, this was more than offset by additional vessel capacity as two CABU vessels were delivered from the yard in late 2016 and May 2017. All three markets CABU vessels are exposed to, namely dry bulk, tanker and fuel, were weak in a historic perspective in 2017, resulting in a reduction of earnings for the CABU vessels. The phase-in effect of increasing the fleet capacity by 50% also put pressure on earnings in 2017. Operating expenses and depreciation increased by USD 4.6 million and USD 4.1 million, respectively, due to the Company's fleet expansion. Average operating expenses dropped by around USD 450/day. Net financial expenses increased by USD 2.1 million from 2016 to 2017 mainly due to increased interest-bearing debt in late 2016 and May 2017 related to drawdown on the bank debt at delivery of the two CABU vessels mentioned above. Profit for the year from continuing operations was USD 3.1 million in 2017 and USD 9.0 million in 2016, respectively, representing a reduction of USD 5.9 million year-over-year.

Total assets per year-end 2017 were USD 293.5 million up from USD 281.5 million per year-end 2016, an increase of USD 11.9 million, whereof vessels and newbuilding contracts increased by USD 26.8 million and cash decreased by USD 13.9 million, mainly due to the delivery of MV Ballard in May 2017. Equity including minority interests per year-end 2017 was USD 172.7 million, down USD 2.7 million in 2017. In addition to profit for the year, the external investor owning 50% of MV Ballard contributed USD 6.5 million in new equity to fund delivery of the vessel and USD 12.2 million was paid in dividends to external investors in the shipowning SPCs and in group contribution. Interest-bearing debt increased by USD 14.9 million in 2017 based on drawdown on bank debt for MV Ballard at delivery and refinancing of one other CABU vessel, net of ordinary debt repayments for the year.

Cash flow from operations in 2017 of USD 24.5 million was quite stable compared to 2016 (USD 25.5 million) as EBITDA only deviated by USD 0.4 million. Net effect of changes in temporary differences, tax and adjustment for finance cost/income evened out when comparing the two years. Cash flow from investments was positive USD 107.7 million in 2016 and negative USD 42.3 million in 2017. The main effect in 2016 is related to sale of vessels in another vessel segment, and not part of the combination carrier activities. 2017 cash flow from investing activities mainly consists of payment for newbuildings. A large part of the net proceeds from the sale after repayment of mortgage debt was paid as group contribution and through a capital decrease, resulting in cash flow from financing activities of negative USD 139.9 million. Cash flow from financing activities in 2017 was positive USD 3.9 million, whereof the main items were drawdown on debt related to delivery of one vessel and capital injection from non-controlling interests partly off-set by group contribution and repayment of debt. Net change in liquidity hence ended at negative USD 13.9 million in 2017 and negative USD 6.7 million in 2016.

11.6 Liquidity and capital resources

11.6.1 Liquidity and funding

KCC's liquidity requirements relates to investments in new vessels, maintenance of vessels, payments of interest on debt, debt repayment instalments and funding of working capital requirements. KCC's principal sources of liquidity are cash flow from operations, debt financing (see description of debt financing in Section 11.6.3 "Financing arrangements") cash on the balance sheet as well as trade receivables/payables in the ordinary course of business. KCC's goal is to provide financial ability to execute on the Group's operational strategy, manage operational and financial risks and maintain an efficient capital structure, and deliver attractive returns to the shareholders. The Group generally targets an equity ratio above 40% and a gearing ratio (NIBD/EBITDA) below 5x, however with room to stretch ratios in growth periods or in a low point of the cycle. At 31 December 2018 the equity ratio was 53% and the NIBD-to-EBITDA was 1.9x.

The bank financing has been secured to partly finance the three newbuildings to be delivered in 2019 and two of three newbuildings to be delivered in 2020, while the bank financing to partly finance the third vessel to be delivered in

2020 is under negotiation. For the two vessels with delivery in 2021 bank financing is yet to be secured. The equity portion of the newbuilding investments is covered through equity issues during 2018, the private placement in May 2019 and expected cash flow from operations. There are furthermore no restrictions which may represent an obstacle to the free transfer of funds within the Group.

KCC's cash balance amounted to USD 88.3 million at 31 December 2018. Cash and cash equivalents are primarily held in USD.

In addition, the Group uses derivatives, forward freight agreements (FFA), to hedge part of the freight exposure and uses bunker derivatives to hedge part of the bunker exposure. See Sections 8.2 "Corporate Strategy" and 2.2.8 "Fluctuation of bunker fuel prices" for more information on the Company's strategy and purpose for hedging its bunker exposure.

As of 31 December 2018, the Group has entered into a currency hedge, hedging a minor share of AUD denominated port costs. To manage interest rate risk, the Group has entered into various interest rate derivatives. In addition, the Group also hedges part of its freight rate exposure through FFAs and bunker costs exposure using derivatives (see Section 8.2 "Corporate Strategy").

11.6.2 Cash flows

The Group's cash inflow and outflow can be split into cash flow from operating activities, investing activities and financing activities.

Cash flow from operating activities was USD 27.9 million and USD 24.5 million, respectively, in 2018 and 2017. The increase in cash flow from operations is mainly due to improved results from 2017 to 2018.

Cash flow from investing activities is mainly investment in new vessels and maintenance investment for vessels on the water. Cash flow from investment activities was negative USD 24.1 million in 2018 and negative USD 43.6 million in 2017. Cash flow from investing activities in the above-mentioned periods was primarily yard instalment payments and pre-delivery costs related to newbuildings with negative USD 22.1 million in 2018 and negative USD 40.2 million in 2017.

Cash flow from financing activities comprises of payment of interest, repayment of debt, drawdown on new debt, dividends and equity capital increase/decrease. Cash flow from financing activities was positive USD 30.7 million in 2018 and USD 3.3 million in 2017. The cash flow from financing activities in 2018 are related to repayment of mortgage debt and interest paid of USD 14.6 million, capital increase of USD 57.0 million and group contribution paid of USD 10.0 million. The cash flow from financing activities in 2017 are related to drawdown on new loan of USD 36.9 million, repayment of mortgage debt and interest paid of USD 26.9 million, capital increase of USD 6.5 million, group contribution paid of USD 11.6 million and dividends to non-controlling interests of USD 1.3 million.

From 31 December 2018 to the date of this Prospectus, the Group has generated cash flow from operating activities in ordinary course. The cash flow from investing activities has mainly comprised of yard instalment payments including the final instalment on delivery of MV Baru. In addition to ordinary debt instalments and interest payment, cash flow from financing activities includes a total of USD 31 million in drawdown of new debt in connection with the delivery of MV Baru and a capital issue raising around USD 38 million in net proceeds.

	2017	2018
Cash flow from operating activities....................	24.5	27.9
Cash flow from investing activities.....................	- 43.6	- 24.1
Cash flow from financing activities.....................	3.3	30.7
Change in cash and cash equivalents...........	**- 15.7**	**34.6**

11.6.3 Financing arrangements

Existing financing arrangements

Below is an overview of the Group's financing arrangement as of the date of this Prospectus:

USD 100 million Nordea / Danske Bank Secured term loan facility ("Nordea/Danske Facility")

In 2018, the Group (through its subsidiary KCC Shipowning AS) entered into a syndicated loan facility, refinancing the existing loans for MV Balboa, MV Baffin, MV Ballard, MV Barcarena, MV Bangor, MV Bantry and MV Bakkedal. The loan is a term loan facility secured with the above mentioned vessels. The outstanding amount is USD 96.4 million and KCC is contractually obliged to repay the loan in 13 quarterly installments and a balloon payment of USD 61.4 million on the maturity date. The loan agreement contains financials covenants (measured on KCC Shipowning AS level); equity to be minimum USD 110 million and 30% of total assets, cash to be minimum of the maximum of USD 10 million and 5% of net interest-bearing debt, NIBD/EBITDA to be maximum 7x from 2020, and 5x from 2021 (no NIBD/EBITDA covenant in 2019). Furthermore, the loan agreement also contains a minimum value clause related to vessel values compared to outstanding loan and a change of control clause. The change of control clause post listing of KCC sets limitations in case of KCC and KCCS. In case of KCCS, if it ceases to be owned, 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 is 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. The interest rate for the facility is an interest rate of LIBOR plus an applicable margin. The loan matures in 2022.

USD 105 million DNB / Skandinaviske Enskilda Banken Secured term loan facility ("DNB/SEB Facility")

In 2018, the Group (through its subsidiary KCC Shipowning AS) entered into a syndicated loan facility, refinancing the existing loans for vessels MV Banasol, MV Banastar, MV Baru, MV Barracuda (with expected delivery in 2019) and MV Barramundi (with expected delivery in 2019). The loan is a term loan facility secured by the above mentioned vessels. For the newbuildings, bank financing represents close to 65% of contract price. The outstanding amount as of the date of this Prospectus is USD 43 million and KCCS is contractually obliged to repay the loan with USD 0.3 million for each of MV Banasol and MV Banastar in 20 quarterly installments and USD 0.4 million for the MV Baru in 19 quarterly installments (the balloon amount outstanding on the newbuilding tranches will be repaid on the maturity date). For each of the undrawn MV Barracuda and MV Barramundi tranches, the drawdown and repayment amounts are expected to be the same as for the MV Baru tranche. The financial covenants and change of control clauses are identical to the Nordea/Danske Facility covenants. The loan agreements also contain a minimum value clause similar to the clause in the Nordea/Danske Facility. The interest rate for the facility is an interest rate of LIBOR plus an applicable margin. The loan matures in 2023**.**

USD 60.45 million Skandinaviska Enskilda Banken and SR-Bank Secured financing facility

In March 2019, the Group (through its subsidiary KCC Shipowning AS) entered into a syndicated loan facility financing hull YZJ2015-1226 and YZJ2015-1227. Both vessels with expected delivery in 2020. The facility is structured as a term loan facility for the first delivered vessel and a revolving credit facility for the second delivered vessel. The facility is secured by the above-mentioned vessels. The facility commitment represents 65% of contract price. Drawdown amount for each vessel is expected to be USD 30.225 million. The loan shall be repaid with quarterly instalment corresponding to a loan profile of 17 years and a balloon amount on the maturity date. The financial covenants and change of control clauses are identical to the Nordea/Danske Facility covenants. The loan agreements also contain a minimum value clause similar to the clause in the Nordea/Danske Facility. The interest rate for the facility is an interest rate of LIBOR plus an applicable margin. The loan matures in 2025**.**

NOK 300 million Unsecured Bond Loan

In January 2019, a loan from KSH to KCC was repaid while simultaneously KCC assumed the obligations of a bond loan issued by Klaveness Ship Holding AS, which the KSH loan to KCC was based on. The bond loan is a NOK 300 million senior unsecured bond listed on Nordic ABM (ISIN: NO0010779549, Ticker: KCC03 PRO) (the "**Bond Issue**"). The existing bond terms were amended to replace KSH as the issuer with KCC as the new issuer. As a consequence, in January KSH was legally released from its obligations under the bond agreement and KCC took over the obligations under the existing bond agreement. The Bond Issue matures in May 2021 and has an interest rate of NIBOR 3M + 5.25%. The covenants on a consolidated basis include an equity ratio covenant of 30%, equity covenant of USD 125 million, a minimum cash covenant of USD 15 million and a dividend restriction if equity ratio is below 40% of 50% of consolidated net profit. The bond Issue includes a change of control clause were change of control means a) if Mr Trond Harald Klaveness and/or his heirs, successors or assigns, cease to own and control (directly or indirectly) at least 1/3 of the shares in KCC; or b) is any person or group or persons acting in concert, other than Mr. Trond Harald Klaveness and/or his heirs, successors or assigns, gain decisive influence over KCC.

The difference in outstanding loan amounts and accrued interest under the two agreements were settled. The bondholders were granted a 1.5 % fee in addition to the costs related to financial and legal advisors, paid 50/50 by KSH and KCC. The loan is converted to a fixed rate USD loan at the same USD/NOK exchange rate as the loan settlement, paying a 6.98% fixed rate through a cross currency swap from KSH.

USD 10 million DNB Overdraft Facility ("DNB ODF")
In 2019, KCC Chartering AS has entered into an overdraft facility pledged with receivables and bunkers inventory. The loan includes an identical change of control covenant as for the other bank facilities. The facility matures in 2019 and the drawdown on the date of this Prospectus was approximately USD 1 million.

Ongoing financing and refinancing projects

Bank financing of CLEANBU hull number YZJ2015-1228 with delivery in October 2020
KCCS is in the process of negotiating financing for the CLEANBU newbuilding with above-mentioned hull number, and the current expectation is that this will take place in an expansion of the USD 60.45 million SEB/SR-Bank facility.

Loan compliance

The above loans are subject to cross default covenants. The Group was in compliance with all financial covenants as per the date of the Prospectus including the NOK 300 million Unsecured Bond Loan transferred to KCC from KSH in January 2019.

Debt maturity profile

The below table shows the estimated repayment schedule for outstanding debt at the date of this Prospectus and debt related to the five newbuildings vessels estimated to be drawn in 2019 and 2020. In addition to this the Group has one vessel under construction with delivery in 2020 and two vessels with delivery in 2021 whereby financing agreement has not yet been finalized. However, KCCS is in the process of negotiating financing for the vessel with delivery in 2020, and the current expectation is that this will take place in an expansion of the SEB/SR-Bank facility.

Term loans (USD millions):	2019	2020	2021	2022	2023	2024	2025	Total
Instalment repayments........	15.6	19.1	22.5	15.1	11.1	3.6	2.7	89.7
Balloon repayment.............	-	-	-	61.4	68.9	-	41.8	172.1
Interest payments[1]............	8.4	10.4	10.5	6.9	5.5	2.3	1.3	45.3
Total term loans.................	24.0	29.5	32.9	83.4	85.6	5.8	45.8	307.1
Bond loan[2]:								
Instalment repayments........	-	-	-	-	-	-	-	-
Balloon repayment[2]...........	-	-	35.3	-	-	-	-	35.3
Interest payments..............	2.1	2.4	.9	-	-	-	-	5.5
Total bond loan..................	2.1	2.4	36.2	-	-	-	-	40.7
Overdraft facility[3]:								
Instalment repayments........	-	-	-	-	-	-	-	-
Balloon repayment.............	-	-	-	-	-	-	-	-
Interest payments..............	-	-	-	-	-	-	-	-
Total overdraft facility.........	-	-	-	-	-	-	-	-
Total:								
Instalment repayments........	15.6	19.1	22.5	15.1	11.1	3.6	2.7	89.7
Balloon repayment.............	-	-	35.3	61.4	68.9	-	41.8	207.4
Interest payments..............	10.5	12.8	11.4	6.9	5.5	2.3	1.3	50.7
Total................................	26.2	31.9	69.2	83.4	85.6	5.8	45.8	347.8

1) Interest costs estimates based on 3 month LIBOR of 2.64%, includes net effect of interest rate derivatives
2) Repayment and interest based on swapped amounts and interest
3) Based on outstanding amount per 31.01.2019

Installment repayments and interest payments obligations will be paid through cash on balance sheet and expected cash flow from operations. Balloon payments are expected to be paid through refinancing on/before maturity date of loans.

11.7 Investments

11.7.1 Historical investments

The table below provides an overview of the Group's main historical investments for vessels and newbuildings for the period 2015 to the date of this Prospectus (see complete list of the fleet in Section 8.5.2 "The fleet"). Newbuilding investments are typically financed with a mix of equity/cash flow from operations and secured vessel debt while drydocking expenses are typically financed with equity/cash flow from operations (see Section 11.6.1 "Liquidity and capital resources").

Investments (USD million)	2016	2017	2018	2019 to date of prospectus
Investment in newbuildings[1]..........	64.6	40.2	23.1	46.0
Drydocking.................................	2.8	3.4	1.8	0.5
Sum investments......................	**67.4**	**43.6**	**24.9**	**46.5**

1) Investments in newbuildings includes yard instalment payments and capitalized expenses

11.7.2 Investments in progress and future principal investments

The table below sets out the expected investments for 2019 to 2022. Investments includes the delivery of four CLEANBU vessels and expected drydocking costs for vessels.

The Group usually finances investments with a combination of equity/cash flow from operations and bank debt. In connection with the delivery of CLEANBU vessels (one additional in 2019 and two in 2020) the Company expects to draw on vessel debt estimated to around USD 30 million per vessel whereof debt for the vessel with expected delivery in 2019 and two of three vessels with expected delivery in 2020 has secured financing. The remaining of the investment will be financed with existing equity and cash flow from operations.

Investments (USD million)	2019[1]	2020	2021	2022	Total
Newbuilds..................................	109.8	121.8	70.0	0.0	301.6
Drydockings...............................	5.2	3.5	4.6	2.3	15.6
Total investments....................	**115.0**	**125.3**	**74.6**	**2.3**	**317.2**

1) Estimated investment for the rest of year

Investments (USD million)	2019[1]	2020	2021	2022	Total
Newbuildings..................................	109.8	121.8	70.0	0.0	301.6
Drydockings...............................	5.2	3.5	4.6	2.3	15.6
Total investments....................	**115.0**	**125.3**	**74.6**	**2.3**	**317.2**

1) Estimated investment for the rest of year

CLEANBU newbuilding investments:

The below table provides an overview of the Group's investment commitments towards the CLEANBU newbuilding program.

Vessel name / Hull Number (Figures in USD million)	Total expected investment[1]	Share of investment already paid	Expected remaining investment	Expected debt financing[2)]	Remaining equity investment	Expected delivery date
YZJ2015-1223....................	52.0	16.3	35.7	31.0	4.7	May 2019
YZJ2015-1224....................	51.6	16.2	35.4	31.0	4.4	May 2019
YZJ2015-1226....................	50.2	10.1	40.1	30.3	9.8	February 2020
YZJ2015-1227....................	50.2	5.3	44.9	30.3	14.6	August 2020
YZJ2015-1228....................	50.2	5.1	45.1	30.3	14.8	October 2020
YZJ2015-1229....................	50.2	0.0	50.2	30.3	19.9	January 2021
YZJ2015-1247....................	50.2	0.0	50.2	30.3	19.9	February 2021
Total................................	**354.6**	**53.0**	**301.6**	**213.5**	**88.1**	

1) Includes yard construction price and estimates of change orders, supervision costs, project management costs and start-up costs

2) For hull number YZJ2015-1223, YZJ2015-1224, YZJ2015-1226 and YZJ2015-1227 debt financing has been secured. Estimated financing for YZJ2015-1228 is expected based on negotiation for financing of the vessel. Estimated financing for YZY2015-1229 and YZY2015-1247 based on most previous financing arrangement.

In addition to the already committed CLEANBU program the Group holds six options for vessels with expected delivery in 2021 and 2022, and with yard contract price of USD 46.5 million per vessel for the first option, USD 47.35 million for the second option, USD 47.85 million for the next two and USD 48.35 million for the last two. YZJ2015-1229 and YZJ2015-1247 has been declared and will be financed with a combination of proceeds from the recent private placement and expected debt financing.

Drydocking and maintenance investments:

Drydocking is planned for three CABU vessels in 2019 with a combined expected investment of around USD 5 million. Expected investment cost includes investment in ballast water treatment system for all vessels.

11.8 Critical accounting policies and estimates

11.8.1 Critical accounting policies and estimates

The Group's significant accounting policies are summarised in Note 1 to the Financial Statements, incorporated by reference to this Prospectus. Summarised below are those accounting policies that require management to apply judgments which management believes to have the most significant effect on the amounts recognised in the Annual Financial Statements.

Carrying amount of vessels, depreciation and impairment
In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates, requirements from clients and steel prices.

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

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

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

Consolidation of Banasol Inc., Banastar Inc., Baffin Shipping AS and Ballard Shipping AS
Prior to 30 April 2018, the Group held 50 % ownership in Banasol Inc., Banastar Inc., Baffin Shipping AS and Ballard Shipping AS. The entities owned one vessel each; MV Banasol, MV Banastar, MV Baffin and MV Ballard, respectively. Management has assessed the investments against control criteria in IFRS 10, whether the Group has rights to direct the relevant activities. The Management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and shipowning activity. The assessment shows that all elements of control are present. The Group was considered to control the entities Banasol Inc., Banastar Inc., Baffin Shipping AS and Ballard Shipping AS which were consolidated as subsidiaries into the Group's financial statements. After 30 April 2018, the companies were 100 % owned by the Group until they were sold out of the Group or merged with KCCS in November/December 2018.

Impairment
The Group operates combination carrier vessels that can switch between dry and wet cargo. The CABUs have the same characteristics in respect of what cargo to transport, number of cargo holds and size of the vessel. All CLEANBUs are identical vessels with same main characteristics. CLEANBUs have higher capacity than the CABUs, and can in addition transport other types of wet commodities than the CABUs. All the CABUs are interchangeable, same for all the CLEANBUs. Investment, continuance and disposal decisions are made by class of vessels. The CABUs and CLEANBUs are operated commercially by KCC Chartering. Contracts of affreightment (CoAs) are not negotiated based on a specific vessel. It is the sum of vessel capacity at any time that determines the optimization of voyages. A portion of the voyages are also executed by vessels chartered by KCCC in the spot market, and KCCC is dependent on operating the vessels as a portfolio according to free capacity and available cargos. The Group has defined the fleet of CABU and the fleet of CLEANBU, each as one cash generating unit (the "**CGU**"), due to the Group's operational strategy to manage each fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings of the entire Group.

Establishment of the Group
Klaveness Combination Carriers was founded with the shares in KCC Shipowning AS (KCCS) and KCC KBA AS (KBA) contributed as equity. This contribution in kind has been considered by management as group reorganization and not a

business combination, as the newly established company (KCC) had no activity and hence does not constitute being a "business". Further, based on common control transactions being out of scope under IFRS, the pooling of interest method was used and the establishment has been considered as a continuation of the underlying business in these entities. Hence, the group reorganization by way of contribution in kind did not result in any changes to the carrying values of the vessels. KBA had no activity as of 23 March 2018.

Acquisition of shares in KCC Chartering

KCC acquired shares in KCC Chartering AS in March 2018. The transaction is considered to qualify as a business combination, as KCC Chartering AS in contrast to KCC (see above) has activity and is deemed to be a "business". For business combinations, including common control transactions, the Group applies the acquisition method in IFRS 3 with consolidation from time of acquisition. In the acquisition evaluation non-material differences between fair and carrying values were identified, and the allocated value is therefore equal to book value (see further details in note 2 in financial statements as per 31 December 2018).

Segment reporting

The operating segment is reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker, who is responsible for allocating resources, making strategic decisions and assessing performance. The chief operating decision-maker has been identified as the board of the company. The CABUs and the CLEANBUs are considered to be vessels with similar characteristics and will be operated to optimize the fleet as a whole. The first CLEANBUs has generated revenue and costs from date of delivery, 10 January 2019. The assessment of segment reporting will be reviewed on a continuous basis. As the financial statement is consistent with the internal financial reporting for the combination carriers segment and thus is equal to the Income Statement, Statement of Financial Position and Cash flow statement, no further disaggregation is provided.

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

11.8.2 New and amended accounting standards

The financial statements have been prepared based on standards, amendments and interpretations effective for 2018. The effects of the adoption of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are described in Note 1 to the Financial Statements, incorporated by reference to this Prospectus. Note 1 also include a description of expected effects from standards and interpretations that are issued but not yet effective.

11.9 Significant changes

The changes in the Company's financial or trading position set out below have occurred since 31 December 2018, as also discussed in Section 9.1 "Introduction", Section 11.3 "Comparability of financial information for the years 2016, 2017 and 2018, Section 11.4 "Year ended 31 December 2018 compared to the year ended 31 December 2017" and Section 0 "

Year ended 31 December 2017 compared to the year ended 31 December 2016

".

- Drawdown of USD 31.0 million (USD 1.7 million in short term debt and USD 29.3 million in long term debt) in debt related to delivery of MV Baru
- Settlement of cancellation of USD 36 million unsecured loan from KSH and debtor change in KCC03 bond loan (net effect was USD 0.6 million) whereby KCC has assumed all obligations related to a NOK 300 million unsecured bond loan (please see description under Section 11 "Operating and Financial Review")
- Issuance of 7,368,000 new shares in the Company through a Private Placement with gross proceeds of NOK 350 million, completed on 15 May 2019

12 BOARD OF DIRECTORS, MANAGEMENT, EMPLOYEES AND CORPORATE GOVERNANCE

12.1 Introduction

The General Meeting is the highest authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings of the Company and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Group is vested in the Board of Directors and the Group's Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Group's business, ensuring proper organisation, preparing plans for its activities, ensuring that the Group's activities, accounts and asset management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Board of Directors has one sub-committee; an audit committee (see Sections 12.11 "Audit committee"). In addition, the Articles of Association provide for a nomination committee (see Section 12.10 "Nomination committee").

Management is responsible for the day-to-day management of the Group's operations in accordance with Norwegian law and instructions prepared by the Board of Directors. Among other responsibilities, the Group's chief executive officer (the "**CEO**") is responsible for keeping the Group's accounts in accordance with prevailing Norwegian legislation and regulations and for managing the Group's assets in a responsible manner. In addition, the CEO must, pursuant to Norwegian law, brief the Board of Directors about the Group's activities, financial position and operating results at least once per month.

12.2 The Board of Directors

12.2.1 Overview of the Board of Directors

The Articles of Association provide that the Board of Directors shall consist of a minimum of 3 and a maximum of 6 Board Members elected by the Company's shareholders. The names, positions and current term of office of the Board Members as at the date of this Prospectus are set out in the table below.

Name	**Position**	**Served since**	**Term expires**
Lasse Kristoffersen	Chairperson	23 March 2018	23 March 2020
Morten Skedsmo	Board member	23 March 2018	23 March 2020
Magne Øvreås	Board member	30 April 2018	30 April 2020
Stephanie Sanvy Wu	Board member	30 April 2018	30 April 2020
Lori Wheeler Næss	Board member	18 January 2019	18 January 2021

The composition of the Board of Directors is in compliance with the independence requirements of the Corporate Governance Code (as defined below), meaning that (i) the majority of the shareholder elected members of the Board of Directors are independent of the Company's executive management and material business contacts, (ii) at least two of the shareholder elected Board Members are independent of the Company's main shareholders (shareholders holding more than 10% of the Shares of the Company), and (iii) no member of the Company's Management serves on the Board of Directors.

The Company's registered business address, Drammensveien 260, 0283 Oslo, Norway, serves as c/o address for the Board Members in relation to their directorship of the Company.

The Shares that are held by the Board Members as at the date of this Prospectus are set out in Section 12.4.3 "Shareholdings of Board Members and Management in the Company". There are no issued options to acquire shares of the Company or other similar rights. See Section 12.5 "

Bonus programme and share incentive scheme" for a description of the Company's long-term share incentive programme adopted by the Board of Directors.

12.2.2 Brief biographies of the Board Members

Set out below are brief biographies of the Board Members, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a Board Member is or has been a member of the administrative management or supervisory bodies or partner in the five years dating back from the date of this Prospectus.

Lasse Kristoffersen, *Chairperson*

Appointed CEO of Torvald Klaveness in September 2011 after four years as Head of the Klaveness Maritime Logistics. Since August 2018, Kristoffersen has also been acting as Head of Dry bulk. He Worked 11 years for Det Norske Veritas prior to joining Klaveness. In addition, Kristoffersen serves as Chairperson in several companies in the Torvald Klaveness group of companies. He is the sole owner and Chairperson of B7 Invest AS, which holds 0.7% of the shares of Rederiaksjeselskapet Torvald Klaveness.

Kristoffersen holds a Master of Science in Naval Architecture and Marine Engineering from NTNU, in addition to several Executive courses at IMD and INSEAD.

Current directorships and senior management positions	Previous directorships and senior management positions last five years
• President and CEO in Rederiaksjeselskapet Torvald Klaveness	• Board Member, Norwegian Shipowners Association
• President, Norwegian Shipowners Association	• Board Member Ulstein Group
• Board Member, DNVGL	
• Chairperson of several Torvald Klaveness companies	
• Chairperson of B7 Invest AS	

Morten Skedsmo, *Board member*

Appointed Head of Ship Owning & Projects in September 2012. From 2016, Head of Ship Owning and Service Development. Started working for Klaveness in 1990 and has held a wide range of positions within chartering, marketing and business development. EVP of Klaveness Asia in Singapore from 2009-2011 and serves as board member of various Klaveness companies.

Skedsmo holds a business administration degree from NHHK.

Current directorships and senior management positions	Previous directorships and senior management positions last five years
• SVP, Head of Container Shipping (2017-)	• SVP, Head of Ship Owning & Projects (2012)
• Board Member of several Torvald Klaveness companies	• Board Member of several Torvald Klaveness companies

Magne Øvreås, *Board member*

CEO of EGD Shipholding AS. Prior to joining EGD, he held the position of CEO of the chemical tanker owner Utkilen AS. He also has 12 years of experience as management consultant in Cardo Partners and The Boston Consulting Group (Oslo, New York and Stockholm). Øvreås serves as board member in several other companies.

Øvreås holds a Master of Science in Naval Architecture from NTNU, Trondheim and ENSTA, Paris.

Current directorships and senior management positions	Previous directorships and senior management positions last five years
• CEO, EGD Shipholding AS (2015-)	• CEO, Utkilen AS (2010-2015)
• Chairperson and Board Member of several EGD Shipholding AS companies	• Chairperson and Board Member of several EGD Shipholding AS companies
• Board Member, Wilhelmsen Ships Service AS	• Board Member, Stream Tankers AS
• Board Member, Masima AS	• Board Member, Handelens og Sjøfartens Hus AS
• Board Member, Tailwind AS	• Board Member, Bergen Tanker Brokers AS
• Board Member, Utkilen Chemtrans AS	• Board Member, Utkilen Shipinvest KS
• Board Member, LKT Gas Carriers Pte Ltd	
• Board Member, EGD Shipholding AS	

Stephanie Wu, *Board member*

Director of various shipowning and investment companies. Wu has worked at HSBC, Hong Kong from 2003 to 2013 and holds a Bachelor degree in economics from the University of California, Irvine. She serves as board member in various Taiship group companies.

Current directorships and senior management positions	Previous directorships and senior management positions last five years
• Board Member, Hundred Roses Corporation • Board Member, various Taiship group companies	• Board Member, Hundred Roses Corporation • Board Member, various Taiship group companies

Lori Wheeler Næss, *Board Member*

Ms. Næss served as a director of the technical department of PricewaterhouseCoopers, a global auditing service provider, leading IFRS reviews for companies listed in Oslo from September 2012 to June 2015. Two years of experience as a senior advisor from the Norwegian Supervisory Authority in the Prospectus and financial reporting departments. She serves as a board member and audit committee chair in various companies.

Current directorships and senior management positions	Previous directorships and senior management positions last five years
• Board Member and Audit Committee chair of Golar LNG Limited • Board Member and Audit Committee chair of Golar LNG Partners LP. • Board member and Audit committee member of Opera Limited	• Director of the technical department of PWC (2012-2015) • Board Member and Audit Committee chair of Golar LNG Limited • Board Member and Audit Committee chair of Golar LNG Partners LP. • Board member and Audit committee member of Opera Limited

12.3 Management

12.3.1 Overview

The Group presently does not have any employees. Management services are provided by personnel employed by Klaveness AS ("**KAS**") under Business Services Agreements ("**BSA**") between KAS and the various Group companies.

The Company's Management team (employed through the BSA) consists of 2 individuals and was composed in March 2018. It comprises the CEO and CFO.

The Shares that are held by members of the Management as at the date of this Prospectus are set out in Section 12.4.3 "Shareholdings of Board Members and Management in the Company". There are no issued options to or other rights to acquire shares of the Company. See Section 12.5 "

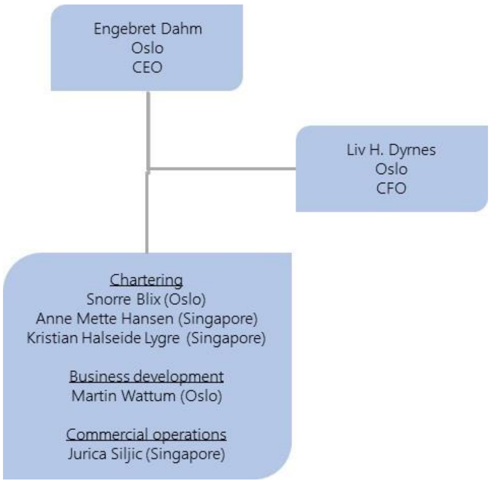
Bonus programme and share incentive scheme" for a description of the Company's long-term share incentive programme adopted by the Board of Directors.

The names of the members of Management (employed through the BSA) as at the date of this Prospectus, and their respective positions, are presented in the table below:

Name	Current position within the group	Position since
Engebret Dahm	CEO	January 2015
Liv Hege Dyrnes	CFO	February 2017

The Company's registered business address, Drammensveien 260, 0283 Oslo, Norway, serves as c/o address for the members of the Management in relation to their employment with the Group.

The following chart sets out the Group's organisational structure:



12.3.2 Brief biographies of the members of the Management

Set out below are brief biographies of the members of the Management employed through the BSA, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Company and names of companies and partnerships of which a member of the Management is or has been a member of the administrative, management or supervisory bodies or partner during the previous five years.

Engebret Dahm, ***CEO***

Dahm was appointed as head of Combination Carriers in January 2015. CEO of Norwegian Car Carriers AS prior to joining Klaveness and held various positions in Klaveness from 1990 to 2006, amongst others as head of the transloader and belt unloader business.

Dahm holds a Master of Science from NHH.

Current directorships and senior management positions	**Previous directorships and senior management positions last five years**
• Head of Combination Carriers (2015-)	• CEO of Norwegian Car Carriers AS
• Board Member, various Torvald Klaveness companies	• Board Member, various Torvald Klaveness companies
• Chairperson, E Dahm Invest AS	• Member of management, Torvald Klaveness

Liv Hege Dyrnes, ***CFO***

Dyrnes was appointed as CFO in February 2017 after eight years with Torvald Klaveness.

Dyrnes has experience from DNB Bank Shipping, Offshore and Logistics prior to joining Torvald Klaveness. She holds a Master of Science in Finance from NHH.

Current directorships and senior management positions	**Previous directorships and senior management positions last five years**
• CFO of Combination Carriers (2017-)	• Board Member, various Torvald Klaveness companies
• Board member, various Torvald Klaveness companies	• Member of management, Torvald Klaveness

12.4 Remuneration and benefits

12.4.1 Remuneration of the Board of Directors

There was no remuneration of the Board of Directors of KCC in 2018. As from 1 January 2019, the Chairperson's annual remuneration is NOK 500,000 and each Board Member's remuneration is NOK 300,000.

12.4.2 Remuneration of the Management

The Company offers competitive remuneration to members of Management based on current market standards, company and individual performance. In addition to the basic salary, Management also participates in the BSA bonus program as set out in Section 0 "

Bonus programme and share incentive scheme".

Total invoiced from KAS to KCC Group in 2017 for managing director was USD 0.5 million. This included salary, bonus, pension and other remuneration.

Total invoiced from KAS to KCC group in 2018 for managing director, including CFO time, was USD 0.5 million.

12.4.3 Shareholdings of Board Members and Management in the Company

The members of Management and Board Members that hold Shares of the Company are set out below.

Name	Position	No# Shares
Engebret Dahm	CEO	18,315 *(held through E Dahm Invest AS)*
Stephanie Wu	Board member	1,098,625 *(held through 50% share in Hundred Roses Corporation)*
Morten Skedsmo	Board member	225
Magne Øvreås	Board member	Owns 8.5% of EGD Shipholding AS (through Masima AS) which holds 8,733,000 shares
Lasse Kristoffersen	Chairperson	Owns 0.7% of Rederiaksjeselskapet Torvald Klaveness (held through B7 Invest AS), which holds 25,661,750 shares through Klaveness Ship Holding AS
Liv H. Dyrnes	CFO	5,500

12.5 Bonus programme and share incentive scheme

Personnel providing management services to the Company have result based bonus agreements with KAS based on the annual result of the holding company (RASTK). The cost of such bonuses is charged to KCC under the BSA.

12.6 Benefits upon termination

As per Norwegian law, the Company has no special agreements providing benefits upon termination of employment.

12.7 Pension and retirement benefits

The fee payable by the Company under the BSA is calculated on a cost plus 5% basis and includes, *inter alia*, hourly fees based on full-time equivalent rates (FTE) for the roles needed to deliver the agreed services. Each FTE is based on the total annual wages (including pension costs), excluding bonuses, for the applicable role.

No special pension or retirement schemes apply specifically to executive management.

12.8 Loans and guarantees

The Company has not granted any loans or guarantees or other commitments to any of its Directors, members of management or to any other employees. However, KAS has granted a loan of USD 50 thousand to the CEO of the Company.

12.9 Employees

As at the date of this Prospectus, the Company has no full or part time employees. Further, the Company had no full or part time employees as at 31 December 2018.

12.10 Nomination committee

The Articles of Association provide for a nomination committee composed of three members. The nomination committee will subject to, and with effect from Listing, consist of Trond Harald Klaveness (Chairperson), Espen Galtung Døsvig and Anne Lise Ellingsen Gryte. The nomination committee shall give recommendations for the shareholder-elected Board Members and the members of the nomination committee and make recommendations for remuneration to the Board Members and the members of the nomination committee.

12.11 Audit committee

The Board of Directors has established an audit committee composed of two Board Members. The audit committee consists of Lori Wheeler Næss (Chairperson) and Magne Øvreås. The primary purposes of the audit committee are to:

- assist the Board of Directors in discharging its duties relating to the safeguarding of assets, the operation of adequate system and internal controls, the control processes and the preparation of accurate financial reporting and statements in compliance with applicable legal requirements, corporate governance and accounting standards; and
- provide support to the Board of Directors on the risk profile and risk management of the Group.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

12.12 Remuneration committee

The Board has currently not established a separate remuneration committee.

12.13 Corporate governance

The Company has, with effect from 21 January 2019, adopted and implemented a corporate governance regime which complies with the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018 (the "**Corporate Governance Code**").

12.14 Conflict of interests etc.

During the last five years preceding the date of this Prospectus, none of the Board Members or the members of the Management has, or had, as applicable:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or was disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company, or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his or her capacity as a founder, director or senior manager of a company.

To the Company's knowledge, there are currently no other actual or potential conflicts of interest between the Company and the private interests or other duties of any of the members of the Management or the Board of Directors, including any family relationships between such persons.

As at the date of this Prospectus there is an agreement between the main shareholders of the Company; Klaveness Ship Holding AS, EGD Shipholding AS and Hundred Roses Corporation to the effect that KSH shall have the right to nominate (i) two directors if the Company's board of directors consists of four directors and (ii) three directors if the Board consists of five or six directors. In each case KSH shall have the right to nominate the chairperson, who shall have a casting vote. Furthermore, HRC shall, subject to maintaining the same or a higher ownership percentage in the Company as on completion of the private placement in October 2018, have the right to nominate one director, and EGD shall, subject to owning at least 10% of the outstanding share capital of the Company, have the right to nominate one director, as well as one deputy director. As per its own terms this agreement will terminate upon completion of any IPO.

13 RELATED PARTY TRANSACTIONS

Below is a summary of the Company's related party transactions. For further information on related party transactions of the Company, see note 19 of the Financial Statement and note 18 and 17 to the Financial Statements, included in Appendix B and Appendix C, respectively, to this Prospectus. All related party transactions have been concluded at arm's length principles and the prices are set upon negotiation between the parties.

- Agreements between each Group company and Klaveness AS (KAS) regarding the provision of business services, including hire of management, by KAS.
- Commercial management agreement between KCCC and KAS regarding the provision by KAS of commercial management of the vessels operated by the KCCC pool, and later by KCCC as KCC's vehicle for marketing and operation of the Group vessels.
- Project management and supervision agreements between KCCS and KAS regarding the provision by KAS of project management and on-site supervision in relation of the CABU and CLEANBU newbuildings.
- Ship management agreement between KCCS and Klaveness Ship Management AS (KSM) regarding the provision of technical management of the vessels owned by the company.
- Pool Participation agreements between each shipowning company and KCCC regarding each Group vessel's participation in the KCCC pool, replaced by open rate time charters between KCCS and KCCC for each Group vessel in November 2018.
- Loan agreement between KSH and KCC regarding the granting of a subordinated loan in the amount of USD 36 million by KSH to KCC. Terminated in January 2019 as a result of the transfer of the KSH bond loan to KCC.
- FFA cost agreement between KCCC and AS Klaveness Chartering regarding the execution by AS Klaveness Chartering of Freight Forward Agreements and Fuel contracts on behalf of KCCC.
- Memorandum of Agreement between each Liberian SPC and KCCS regarding the sale of the SPC's vessel to KCCS. Sales were completed in November/December 2018.
- KSH / KCC Cross currency interest rate swap. As part of the settlement agreement between KSH and KCC in relation to the debtor change in KCC03 PRO and cancellation of the loan from KSH to KCC, KSH and KCC entered into a cross currency interest rate swap ("**CCY SWAP**") whereby KCC swaps its floating NOK interest rate and currency exposure in the KCC03 PRO loan to a fixed USD interest rate loan. In the CCY SWAP KCC pays to KSH a fixed US dollar interest rate of 6.98% on a notional value of USD 35.4 million, equal to NOK 300 million converted at the USD NOK exchange rate applicable in the settlement agreement. KCC receives from KSH a NOK interest rate equal to NIBOR plus a margin of 525 basis points (equal to the margin in the KCC03 PRO loan) on a notional value of NOK 300 million. The received NOK interest corresponds to the interest payment in the KCC03 PRO loan. At maturity of KCC03 PRO KCC will receive NOK 300 million from KSH and pay USD 35.4 million to KSH, or the value difference based on the prevailing currency exchange rate at the time.

14 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and the share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Articles of Association and applicable Norwegian law in effect as of the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Articles of Association, included in Appendix A to this Prospectus, and applicable law.

14.1 Company corporate information

The Company's registered name is Klaveness Combination Carriers ASA. The Company is a public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act. The Company's registered office is in the municipality of Oslo, Norway. The Company was incorporated in Norway on 23 March 2018 as a private limited liability company, and was converted to a public limited liability company on 25 March 2019 and changed its name from Klaveness Combination Carriers AS to Klaveness Combination Carriers ASA at the same time. The Company's registration number in the Norwegian Register of Business Enterprises is 920 662 838.

The Shares have been created under the Norwegian Public Limited Companies Act. The Shares are registered in book-entry form with the VPS under ISIN NO 001 0833262. The Company's register of shareholders in the VPS is administrated by DNB Bank ASA (the "**VPS Registrar**").

The Company's registered office is located at Drammensveien 260, 0283 Oslo, Norway and the Company's main telephone number at that address is +47 22 52 60 00. The Company's website can be found at www.combinationcarriers.com. The content of www.combinationcarriers.com is not incorporated by reference into or otherwise form part of this Prospectus.

14.2 Legal structure

The Company is the ultimate parent company in the Group. The Company is a holding company in the Group. The following table sets out information about the Company's significant subsidiaries:

Company	Registration number	Country of incorporation	% holding
KCC Shipowning AS	963 109 288	Norway	100%
KCC Chartering AS	984 094 280	Norway	100%
KCC KBA AS	912 477 983	Norway	100%

As at the date of this Prospectus, the Group is of the opinion that its holdings in the entities specified above are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition or profits and losses.

14.3 Share capital and share capital history

As at the date of this Prospectus, the Company's share capital is NOK 47,880,000 divided on 47,880,000 Shares, with a nominal value of NOK 1.00 per Share. All Shares have been created under the Norwegian Public Limited Companies Act, are validly issued and fully paid.

The Company has one class of Shares. As at the date of this Prospectus, there are no share options or other rights to subscribe or acquire Shares issued by the Company save as described in Section 14.8 below.

See Sections 12.5 "

Bonus programme and share incentive scheme" and 14.6 "Authorisations to increase the share capital and to issue Shares" for a description of the Company's share incentive scheme pursuant to which the members of the Management and certain other key employees of the Group may be granted options and a description of the Board of Directors' authorisation to issue new Shares in connection with the share incentive scheme. See section 12.4.3 "Shareholdings of Board Members and Management in the Company" an overview of Management and Board Members that hold Shares of the Company.

Neither the Company nor any of its subsidiaries directly or indirectly own shares in the Company. See Section 14.7 "Authorisation to acquire treasury Shares" for a description of the authorisation granted to the Board of Directors to acquire treasury Shares.

The table below shows the development in the Company's share capital from inception up to the date of this Prospectus:

Date of registration	Type of change	Change in share capital (NOK)	Subscription price	Nominal value (NOK)	New number of Shares	New share capital (NOK)
27.03.2018	-	-	-	1.00	-	1,100,000.00
12.06.2018	Share capital reduction	100,000.00	N/A	1.00	1,000,000	1,000,000.00
30.04.2018	Share capital increase	290,810.00	NOK 10,933.1469	1.00	1,290,810	1,290,810.00
28.09.2018	Share capital increase	30,979,440.00	NOK 44.379972	1.00	32,270,250	32,270,250.00
12.10.2018	Share capital increase	8,241,750.00	USD 5.46	1.00	40,512,000	40,512,000.00
21.05.2019	Private Placement	7,368,000.00	NOK 47.50	1.00	47,880,000	47,880,00.00

Other than as set out above, there have been no changes to the Company's share capital or the number of Shares of the Company from the start of the period covered by the historical financial information up to the date of this Prospectus.

14.4 Admission to trading

On 15 May 2019, the Company submitted an application for listing of the Shares on Oslo Axess.

On 20 May 2019, the board of directors of Oslo Børs have approved the Company's listing application. Currently, the Company expects the first day of trading of its Shares on Oslo Axess to be on or about 22 May 2019. The Company will be listed on Oslo Axess under the ticker symbol "KCC".

The existing Shares of the Company have not been previously been admitted to trading on a regulated market prior to the Listing, but have since 15 October 2018 been subject to public trading on N-OTC with ticker code "KCC". The Company's shares are not listed on another stock exchange or regulated market, and no application has been made for listing, on any stock exchange or regulated market other than Oslo Axess.

14.5 Ownership structure

As at the date of this Prospectus, the Company has 110 shareholders. There is only one class of Shares.

With effect from listing of the Shares on Oslo Axess, shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. See Section 15.7 "Disclosure obligations" for a description of the disclosure obligations pursuant to the Norwegian Securities Trading Act.

An overview of shareholders holding 5% or more of the Shares of the Company as at the date of this Prospectus is set out below:

Shareholder	Shareholdings
Klaveness Ship Holding AS	54.0%
EGD Shipholding AS	18.4%

Following the completion of the Listing, the Company is not aware of any persons or entities that, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

No particular measures are initiated to ensure that control is not abused by large shareholders. Minority shareholders are protected from abuse by relevant regulations in; *inter alia,* the Norwegian Public Limited Companies Act and the Norwegian Securities Act. See Section 14.10.2 "Certain aspects of Norwegian corporate law" and 15.10 "Compulsory acquisition" for further information.

14.6 Authorisations to increase the share capital and to issue Shares

The Board of Directors has been granted three authorisations to increase the share capital of the Company by issuing new Shares:

- The Board of Directors was in the annual general meeting held on 22 March 2019 granted an authorisation to increase the share capital by up to NOK 20 million, at a share price determined by the Board of Directors. Shareholders' preferential rights may be deviated from. The authorisation was registered in the Norwegian Register of Business Enterprises on 4 April 2019, and is valid until 31 December 2019.

- In addition, the Board of Directors has been granted an authorisation, valid until the annual general meeting in 2020, to increase the share capital by up to NOK 700 thousand to be used in connection with the issuance of new Shares under the Company's share incentive scheme, see Section 12.5 "
- Shareholdings of Board Members and Management in the Company

The members of Management and Board Members that hold Shares of the Company are set out below.

Name	**Position**	**No# Shares**
Engebret Dahm	CEO	18,315 *(held through E Dahm Invest AS)*
Stephanie Wu	Board member	1,098,625 *(held through 50% share in Hundred Roses Corporation)*
Morten Skedsmo	Board member	225
Magne Øvreås	Board member	Owns 8.5% of EGD Shipholding AS (through Masima AS) which holds 8,733,000 shares
Lasse Kristoffersen	Chairperson	Owns 0.7% of Rederiaksjeselskapet Torvald Klaveness (held through B7 Invest AS), which holds 25,661,750 shares through Klaveness Ship Holding AS
Liv H. Dyrnes	CFO	5,500

- Bonus programme and share incentive scheme.

- Furthermore, the Board of Directors has been granted authorisation, valid until the annual general meeting in 2020, to increase the share capital by a maximum amount of NOK 6 million in one or more share capital increases through issuance of new shares. The Authorisation covers capital increases against contribution in cash, as well as share capital increases against contribution in kind.

14.7 Authorisation to acquire treasury Shares

At an extraordinary general meeting held on 18 January 2019, the Board of Directors was granted an authorisation to repurchase the Company's own shares within a total nominal value of up to NOK 4,051,200. The maximum amount that can be paid for each share is NOK 75.00 and the minimum amount is NOK 1.00. The authorisation is valid from the date of Listing and until the date of the Annual General Meeting of 2020 (the "**Annual General Meeting**"), but not later than 30 June 2020. The authorisation can be used to acquire shares as the Board of Directors deems appropriate, provided, however, that acquisition of shares shall not be by subscription.

14.8 Other financial instruments

14.8.1 Warrants

In an extraordinary general meeting held on 24 September 2018, the Company issued 229,088 non-transferable warrants, each of which entitle the holder to subscribe one new share of the Company at a subscription price of NOK 44.38 per share. The warrants may for each subscriber be exercised with one third from such time as when the Company's shares on a volume-weighted basis has traded on the N-OTC list or a regulated market place or stock exchange at a price equal to minimum NOK 55.48 for ten consecutive trading days with an aggregate trading volume over such ten days of a minimum of USD 1 million. Another third may be exercised when there has been such trading at a price equal to a minimum of NOK 66.57, and the last third when there has been such trading at a price equal to a minimum of NOK 77.67. The warrants must be exercised no later than 24 September 2023.

The table below provides an overview of terms for the warrants issued by the Company as of the date of this Prospectus:

Holder	No. of Warrants	Subscription Price (NOK)	Exercise Levels (NOK)	Expiry
Klaveness Ship Holding AS	159,377	44.38	55.48/66.57/77.67	24.09.2023
EGD Shipholding AS	55,691	44.38	55.48/66.57/77.67	24.09.2023
Hundred Roses Corporation	14,020	44.38	55.48/66.57/77.67	24.09.2023
Total	**229,088**			

14.8.2 Other securities

Save for the above, neither the Company nor any of its subsidiaries have issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries. Furthermore, neither the Company nor any of its subsidiaries have issued subordinated debt or transferable securities other than the Shares and the shares in its subsidiaries which will be held, directly or indirectly, by the Company or, in the case of joint venture companies, by it and its partners.

14.9 Shareholder rights

The Company has one class of Shares on issue, and in accordance with the Norwegian Public Limited Companies Act, all Shares in that class provide equal rights in the Company. Each of the Company's Shares carries one vote. The rights attaching to the Shares are described in Section 14.10 "The articles of association and certain aspects of Norwegian law".

14.10 The articles of association and certain aspects of Norwegian law

14.10.1 The Articles of Association

The Articles of Association are set out in Appendix A to this Prospectus. Below is a summary of certain of the provisions of the Articles of Association.

Objective of the Company

The purpose of the company is investments in and operation of "wet-dry" combination carriers and all related activities, including acquiring interests in other companies owning or operating "wet-dry" combination carriers.

Board of Directors

The Board of Directors shall consist of three to six members as determined by the general meeting. Board members elected by the general meeting are elected for an initial period of two years.

Restrictions on transfer of Shares

The Shares in the company are freely transferable. Transfer of Shares is not subject to approval by the Company's Board of Directors or a right of first refusal for existing shareholders.

General meetings

The ordinary general meeting shall consider and decide (i) adoption of the annual accounts and the annual report, including the question of declaration of dividends, (ii) Approval of the statement from the Board of Directors regarding salary and other remuneration to the executive management, and (iii) any other matters which under the law or these Articles of Association pertain to the general meeting.

14.10.2 Certain aspects of Norwegian corporate law

General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held on or prior to 30 June of each year. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of a Norwegian public limited liability company listed on a stock exchange or a regulated market shall be held, unless the Articles of Association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the general meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at general meetings.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast, as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a 14 days' notice period until the next annual general meeting provided that the Company has procedures in place allowing shareholders to vote electronically.

Voting rights – amendments to the Articles of Association

Each of the Company's shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or the Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend the Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the Company or to authorize the Board of Directors to purchase Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association.

In general, only a shareholder registered in the VPS is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the VPS register as the holder of such Shares as nominees. Investors should note that there are varying opinions as to the interpretation of the right to vote on nominees registered shares. In the Company's view, a nominee may not meet or vote for Shares registered on a nominee account (NOM-account). A shareholder must, in order to be eligible to register, meet and vote for such Shares at the general meeting, transfer the Shares from such NOM-account to an account in the shareholder's name. Such registration must appear from a transcript from the VPS at the latest at the date of the general meeting.

There are no quorum requirements that apply to the general meetings.

Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Articles of Association must be amended, which requires the same vote as other amendments to the Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. Preferential rights may be derogated from by resolution in a general meeting passed by the same vote required to amend the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The general meeting may, by the same vote as is required for amending the Articles of Association, authorize the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered nominal share capital when the authorization is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the nominal value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's U.S. shareholders may not be able to exercise their preferential rights. If a U.S. shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company.

Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of general meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 5% or more of the Company's share capital have a right to demand in writing that the Board of Directors convene an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

Rights of redemption and repurchase of Shares

The share capital of the Company may be reduced by reducing the nominal value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a general meeting. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorization to do so by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not exceed 10% of the Company's share capital, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the General Meeting of the Company cannot be granted for a period exceeding 24 months.

Shareholder vote on certain reorganisations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting of the shareholders passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the Articles of Association stipulate that, made available to the shareholders on the Company's website, at least one month prior to the general meeting to pass upon the matter.

Liability of board members

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board Members act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the general meeting to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the general meeting of the Company's shareholders passing upon the matter. If a resolution to discharge the Board Members from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend the Articles of Association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Board Members from liability or not to pursue claims against the Board Members is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

Indemnification of board members

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for its Board Members against certain liabilities that they may incur in their capacity as such.

Distribution of assets on liquidation

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital.

14.11 Shareholder agreements

As of completion of the Listing, there will be no shareholders’ agreements related to the Shares of which the Company is aware.

15 SECURITIES TRADING IN NORWAY

15.1 Introduction

The Oslo Stock Exchange was established in 1819 and is the principal market in which shares, bonds and other financial instruments are traded in Norway. As at 31 December 2018, the total capitalisation of companies listed on the Oslo Stock Exchange (including Merkur Market) amounted to approximately NOK 2,632 billion. Shareholdings of non-Norwegian investors as a percentage of total market capitalisation as at 31 December 2018 amounted to approximately 40%.

The Oslo Stock Exchange has three separate listing alternatives for companies; Oslo Børs (the "main board" suitable for larger companies with operating history and existing shareholder base), Oslo Axess (for companies with less than three years operating history) and Merkur Market (newly established- or small growth companies). Merkur Market is a multilateral trading facility, while Oslo Børs and Oslo Axess are regulated exchanges.

The Oslo Stock Exchange also owns Fish Pool (90%) (an international commodity exchange trading salmon futures contracts) and NOTC (100%) (marketplace for unlisted shares).

The Oslo Stock Exchange has entered into a strategic cooperation with the London Stock Exchange group with regards to, *inter alia*, trading systems for equities, fixed income and derivatives.

15.2 Trading and settlement

Trading of equities on Oslo Børs and Oslo Axess is carried out in the electronic trading system Millennium Exchange. This trading system is in use by all markets operated by the London Stock Exchange, including the Borsa Italiana, as well as by the Johannesburg Stock Exchange.

Official trading on the Oslo Stock Exchange takes place between 09:00 hours (CET) and 16:20 hours (CET) each trading day, with pre-trade period between 08:15 hours (CET) and 09:00 hours (CET), closing auction from 16:20 hours (CET) to 16:25 hours (CET) and a post-trade period from 16:25 hours (CET) to 17:30 hours (CET). Reporting of after exchange trades can be done until 17:30 hours (CET).

The settlement period for trading on Oslo Børs and Oslo Axess is two trading days (T+2). This means that securities will be settled on the investor's account in VPS two days after the transaction, and that the seller will receive payment after two days.

Oslo Clearing ASA, a wholly owned subsidiary of SIX x-clear AG, a company in the SIX group, has a license from the Norwegian FSA to act as a central clearing service, and has from 18 June 2010 offered clearing and counterparty services for equity trading on Oslo Børs and Oslo Axess.

Investment services in Norway may only be provided by Norwegian investment firms holding a license under the Norwegian Securities Trading Act, branches of investment firms from an EEA member state or investment firms from outside the EEA that have been licensed to operate in Norway. Investment firms in an EEA member state may also provide cross-border investment services into Norway.

It is possible for investment firms to undertake market-making activities in shares listed in Norway if they have a license to this effect under the Norwegian Securities Trading Act, or in the case of investment firms in an EEA member state, a license to carry out market-making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Norwegian Securities Trading Act relating to brokers' trading for their own account. However, such market-making activities do not as such require notification to the Norwegian FSA or the Oslo Stock Exchange except for the general obligation of investment firms that are members of the Oslo Stock Exchange to report all trades in stock exchange listed securities.

15.3 Information, control and surveillance

Under Norwegian law, the Oslo Stock Exchange is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit of the Oslo Stock Exchange monitors all market activity on a continuous basis. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The Norwegian FSA controls the issuance of securities in both the equity and bond markets in Norway and evaluates whether the issuance documentation contains the required information and whether it would otherwise be unlawful to carry out the issuance.

Under Norwegian law, a company that is listed on a Norwegian regulated market, or has applied for listing on such market, must promptly release any inside information directly concerning the company (i.e. precise information about financial instruments, the issuer thereof or other matters which are likely to have a significant effect on the price of the relevant financial instruments or related financial instruments, and which are not publicly available or commonly known in the market). A company may, however, delay the release of such information in order not to prejudice its legitimate interests, provided that it is able to ensure the confidentiality of the information and that the delayed release would not be likely to mislead the public. The Oslo Stock Exchange may levy fines on companies violating these requirements.

15.4 The VPS and transfer of shares

The Company's principal share register is operated through the VPS. The VPS is the Norwegian paperless centralized securities register. It is a computerized book-keeping system in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. The VPS and the Oslo Stock Exchange are both wholly owned by Oslo Børs VPS Holding ASA. Oslo Børs VPS Holding ASA is registered on the N-OTC list with ticker "OSLO".

All transactions relating to securities registered with the VPS are made through computerized book entries. No physical share certificates are, or may be, issued. The VPS confirms each entry by sending a transcript to the registered shareholder irrespective of any beneficial ownership. To give effect to such entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, Norges Bank (the Central Bank of Norway), authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA are allowed to act as account agents.

As a matter of Norwegian law, the entry of a transaction in the VPS is *prima facie* evidence in determining the legal rights of parties as against the issuing company or any third party claiming an interest in the given security. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition, and the acquisition is not prevented by law, the relevant company's articles of association or otherwise.

The VPS is liable for any loss suffered as a result of faulty registration or an amendment to, or deletion of, rights in respect of registered securities unless the error is caused by matters outside the VPS' control which the VPS could not reasonably be expected to avoid or overcome the consequences of. Damages payable by the VPS may, however, be reduced in the event of contributory negligence by the aggrieved party.

The VPS must provide information to the Norwegian FSA on an ongoing basis, as well as any information that the Norwegian FSA requests. Further, Norwegian tax authorities may require certain information from the VPS regarding any individual's holdings of securities, including information about dividends and interest payments.

15.5 Shareholder register – Norwegian law

Under Norwegian law, shares are registered in the name of the beneficial owner of the shares. As a general rule, there are no arrangements for nominee registration and Norwegian shareholders are not allowed to register their shares in VPS through a nominee. However, foreign shareholders may register their shares in the VPS in the name of a nominee (bank or other nominee) approved by the Norwegian FSA. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In case of registration by nominees, the registration in the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions, but cannot vote in general meetings on behalf of the beneficial owners.

15.6 Foreign investment in shares listed in Norway

Foreign investors may trade shares listed on Oslo Børs and Oslo Axess through any broker that is a member of the Oslo Stock Exchange, whether Norwegian or foreign.

15.7 Disclosure obligations

If a person's, entity's or consolidated group's proportion of the total issued shares and/or rights to shares in a company listed on a regulated market in Norway (with Norway as its home state, which will be the case for the Company) reaches, exceeds or falls below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or the voting rights of that company, the person, entity or group in question has an obligation under the Norwegian Securities Trading Act to notify the Oslo Stock Exchange and the issuer immediately. The same applies if the disclosure thresholds are passed due to other circumstances, such as a change in the company's share capital.

15.8 Insider trading

According to Norwegian law, subscription for, purchase, sale or exchange of financial instruments that are listed, or subject to the application for listing, on a Norwegian regulated market, or incitement to such dispositions, must not be undertaken by anyone who has inside information, as defined in Section 3-2 of the Norwegian Securities Trading Act. The same applies to the entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights whose value is connected to such financial instruments or incitement to such dispositions.

15.9 Mandatory offer requirement

The Norwegian Securities Trading Act requires any person, entity or consolidated group that becomes the owner of shares representing more than one-third of the voting rights of a company listed on a Norwegian regulated market (with the exception of certain foreign companies) to, within four weeks, make an unconditional general offer for the purchase of the remaining shares in that company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares that, together with the party's own shareholding, represent more than one-third of the voting rights in the company and the Oslo Stock Exchange decides that this is regarded as an effective acquisition of the shares in question.

The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares that exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered (or provided that the person, entity or consolidated group has not already stated that it will proceed with the making of a mandatory offer).

When a mandatory offer obligation is triggered, the person subject to the obligation is required to immediately notify the Oslo Stock Exchange and the company in question accordingly. The notification is required to state whether an offer will be made to acquire the remaining shares in the company or whether a sale will take place. As a rule, a notification to the effect that an offer will be made cannot be retracted. The offer and the offer document required are subject to approval by the Oslo Stock Exchange before the offer is submitted to the shareholders or made public.

The offer price per share must be at least as high as the highest price paid or agreed by the offeror for the shares in the six-month period prior to the date the threshold was exceeded. If the acquirer acquires or agrees to acquire additional shares at a higher price prior to the expiration of the mandatory offer period, the acquirer is obliged to restate its offer at such higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The settlement must be guaranteed by a financial institution authorised to provide such guarantees in Norway.

In case of failure to make a mandatory offer or to sell the portion of the shares that exceeds the relevant threshold within four weeks, the Oslo Stock Exchange may force the acquirer to sell the shares exceeding the threshold by public auction. Moreover, a shareholder who fails to make an offer may not, as long as the mandatory offer obligation remains in force, exercise rights in the company, such as voting in a general meeting, without the consent of a majority of the remaining shareholders. The shareholder may, however, exercise his/her/its rights to dividends and pre-emption rights in the event of a share capital increase. If the shareholder neglects his/her/its duty to make a mandatory offer, the Oslo Stock Exchange may impose a cumulative daily fine that runs until the circumstance has been rectified.

Any person, entity or consolidated group that owns shares representing more than one-third of the votes in a company listed on a Norwegian regulated market (with the exception of certain foreign companies) is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) if the person, entity or consolidated group through acquisition becomes the owner of shares representing 40%, or more of the votes in the company. The same applies if the person, entity or consolidated group through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the person, entity or consolidated group sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered (provided that the person, entity or consolidated group has not already stated that it will proceed with the making of a mandatory offer).

Any person, entity or consolidated group that has passed any of the above mentioned thresholds in such a way as not to trigger the mandatory bid obligation, and has therefore not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

15.10 Compulsory acquisition

Pursuant to the Norwegian Public Limited Companies Act and the Norwegian Securities Trading Act, a shareholder who, directly or through subsidiaries, acquires shares representing 90% or more of the total number of issued shares in a Norwegian public limited company, as well as 90% or more of the total voting rights, has a right, and each remaining minority shareholder of the company has a right to require such majority shareholder, to effect a compulsory acquisition for cash of the shares not already owned by such majority shareholder. Through such compulsory acquisition the majority shareholder becomes the owner of the remaining shares with immediate effect.

If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the Securities Trading Act, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. The cost of such court procedure will, as a general rule, be the responsibility of the majority shareholder, and the relevant court will have full discretion in determining the consideration to be paid to the minority shareholder as a result of the compulsory acquisition. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror pursuant to Section 4-25 of the Norwegian Public Limited Companies Act completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the Norwegian Securities Trading Act that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Absent a request for a Norwegian court to set the price or any other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the specified deadline.

15.11 Foreign exchange controls

There are currently no foreign exchange control restrictions in Norway that would potentially restrict the payment of dividends to a shareholder outside Norway, and there are currently no restrictions that would affect the right of shareholders of a company that has its shares registered with the VPS who are not residents in Norway to dispose of their shares and receive the proceeds from a disposal outside Norway. There is no maximum transferable amount either to or from Norway, although transferring banks are required to submit reports on foreign currency exchange transactions into and out of Norway into a central data register maintained by the Norwegian customs and excise authorities. The Norwegian police, tax authorities, customs and excise authorities, the National Insurance Administration and the Norwegian FSA have electronic access to the data in this register.

16 TAXATION

Set out below is a summary of certain Norwegian tax matters related to an investment in the Company. The summary regarding Norwegian taxation is based on the laws in force in Norway as at the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retrospective basis.

The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the shares in the Company. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway and shareholders who cease to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should specifically consult with and rely upon their own tax advisers with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes. The statements in the summary only apply to shareholders who are beneficial owners of the Shares. Please note that for the purpose of the summary below, a reference to a Norwegian or non-Norwegian shareholder refers to the tax residency rather than the nationality of the shareholder.

16.1 Norwegian taxation

16.1.1 Taxation of dividends

Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals residing in Norway for tax purposes (the "**Norwegian Personal Shareholders**") are taxable in Norway for such shareholders currently at an effective tax rate of 31.68% to the extent the dividend exceeds a tax-free allowance; i.e. dividends received, less the tax free allowance, shall be multiplied by 1.44 which are then included as ordinary income taxable at a flat rate of 22%, increasing the effective tax rate on dividends received by Norwegian Personal Shareholders to 31.68%.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk-free interest rate based on the effective rate of interest on treasury bills (*Nw: statskasseveksler*) with three months maturity plus 0.5 percentage points, after tax. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year.

Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realization, of the same share (but may not be set off against taxable dividends or capital gains on other Shares). Furthermore, excess allowance can be added to the cost price of the share and included in basis for calculating the allowance on the same share the following year.

Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain similar entities) domiciled in Norway for tax purposes (the "**Norwegian Corporate Shareholders**"), are effectively taxed at a rate of currently 0. 0.66% (3% of dividend income from such shares is included in the calculation of ordinary income for Norwegian Corporate Shareholders and ordinary income is subject to tax at a flat rate of currently 22%).

Non-Norwegian Personal Shareholders

Dividends distributed to shareholders who are individuals not residing in Norway for tax purposes (the "**Non-Norwegian Personal Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Personal Shareholders residing within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (please see "Taxation of dividends – Norwegian Personal Shareholders" above). However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation of the dividends than the withholding tax rate of 25% less the tax-free allowance.

If a Non-Norwegian Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Non-Norwegian Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Non-Norwegian Personal Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

Non-Norwegian Corporate Shareholders

Dividends distributed to shareholders who are limited liability companies (and certain other entities) domiciled outside of Norway for tax purposes (the "**Non-Norwegian Corporate Shareholders**"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Non-Norwegian Corporate Shareholders domiciled within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

If a Non-Norwegian Corporate Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Corporate Shareholder, as described above.

Non-Norwegian Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted. The same will apply to Non-Norwegian Corporate Shareholders who have suffered withholding tax although qualifying for the Norwegian participation exemption.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

From 1 January 2019, new rules applies with respect to the documentation of the applicability of reduced withholding tax rates. *Inter alia*, all Non-Norwegian Corporate Shareholders must document their entitlement to a reduced withholding tax rate by either (i) presenting an approved withholding tax refund application or (ii) present an approval from the Norwegian tax authorities confirming that the recipient is entitled to a reduced withholding tax rate. Such documentation must be provided to either the nominee or the account operator (VPS).

The withholding obligation in respect of dividends distributed to Non-Norwegian Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

Non-Norwegian Corporate Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming a refund of withholding tax.

16.1.2 Taxation of capital gains on realisation of shares

Norwegian Personal Shareholders

Sale, redemption or other disposal of shares is considered a realization for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a disposal of shares is taxable or tax deductible in Norway. The effective tax rate on gain or loss related to shares realized by Norwegian Personal Shareholders is currently 31.68%; i.e. capital gains (less the tax-free allowance) and losses shall be multiplied by 1.44 which are then included in or deducted from the Norwegian Personal Shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a flat rate of 22%, increasing the effective tax rate on gains/losses realized by Norwegian Personal Shareholders to 31.68%.

The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including costs incurred in relation to the acquisition or realization of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance provided that such allowance has not already been used to reduce taxable dividend income. Please refer to Section 16.1.1 "Taxation of dividends" above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled. Unused allowance may not be set of against gains form realisation of other shares.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

Special rules apply for Norwegian Personal Shareholders that cease to be tax-resident in Norway.

Norwegian Personal Shareholders may hold the Shares through a Norwegian share saving account (*Nw: aksjesparekonto*). Gains derived upon the realization of Shares held through a share saving account will be exempt from Norwegian taxation and losses will not be tax deductible. Withdrawal of funds from the share saving account exceeding the Norwegian Personal Shareholder's paid in deposit, will be regarded as taxable income, subject to tax at an effective tax rate of 30.59%. Norwegian Personal Shareholders will be entitled to a calculated tax-free allowance provided that such allowance has not already been used to reduce taxable dividend income (please see "Taxation of dividends – Norwegian Personal Shareholders" above). The tax-free allowance is calculated based on the lowest paid in deposit in the account during the income year, plus any unused tax-free allowance from previous years. The tax-free allowance can only be deducted in order to reduce taxable income, and cannot increase or produce a deductible loss. Any excess allowance may be carried forward and set off against future withdrawals from the account or future dividends received on shares held through the account.

Norwegian Corporate Shareholders

Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realization of shares qualifying for participation exemption, including shares in the Company. Losses upon the realization and costs incurred in connection with the purchase and realization of such shares are not deductible for tax purpose.

Special rules apply for Norwegian Corporate Shareholders that cease to be tax-resident in Norway.

Non-Norwegian Personal Shareholders

Gains from the sale or other disposal of shares by a Non-Norwegian Personal Shareholder will not be subject to taxation in Norway unless the Non-Norwegian Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway.

Non-Norwegian Corporate Shareholders

Capital gains derived by the sale or other realization of shares by Non-Norwegian Corporate Shareholders are not subject to taxation in Norway.

16.1.3 Net wealth tax

The value of shares is included in the basis for the computation of net wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal net wealth tax rate is 0.85% of the value assessed. The value for assessment purposes for listed shares is equal to 75% of the listed value as of 1 January in the year of assessment (i.e. the year following the relevant fiscal year). The value of debt allocated to the listed shares for Norwegian wealth tax purposes is reduced correspondingly (i.e. to 75%).

Norwegian Corporate Shareholders are not subject to net wealth tax. Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Non-Norwegian Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

16.1.4 VAT and transfer taxes

No VAT, stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares.

16.1.5 Inheritance tax

A transfer of shares through inheritance or as a gift does not give rise to inheritance or gift tax in Norway.

17 OVERVIEW OF THE COMPLETED PRIVATE PLACEMENT AND THE SHARES ADMITTED TO LISTING

17.1 Overview of the completed Private Placement

On 15 May 2019, the Company announced that it had successfully completed a private placement raising approximately NOK 350 million (equivalent to approximately USD 40,1[4] million) in gross proceeds through issuance of 7,368,000 new Shares (the "**Private Placement Shares**") at a fixed subscription price of NOK 47.50 (the "**Offer Price**") per Private Placement Share (the "**Private Placement**"). In addition, the Managers over-allotted an additional 382,000 Shares in the Private Placement (the "**Additional Shares**"), representing approximately 5% of the number of Private Placement Shares. Accordingly, a total of 7,750,000 shares were allocated in the Private Placement (the "**Allotted Shares**"). The Private Placement was directed towards investors in Norway and other jurisdictions subject to applicable exemptions from registration, filing, prospectus and other requirements under applicable securities laws, (i) outside the United States in reliance on Regulation S under the U.S. Securities Act and (ii) in the United States to Qualified Institutional Buyers (the "**QIBs**"), as defined in Rule 144A under the U.S. Securities Act as well as to major U.S. institutional investors under SEC Rule 15a-6 to the U.S. Exchange Act.

The minimum subscription and allocation amount in the Private Placement was set to the NOK equivalent of EUR 100,000 provided, however, that the Company reserved the right to allocate an amount below EUR 100,000 to the extent applicable exemptions from the prospectus requirement pursuant to the Norwegian Securities Trading Act and ancillary regulations, or similar legislation in other jurisdictions, were available.

The Company, in consultation with the Managers, determined the number of Allotted Shares on the basis of the applications received by the investors in the bookbuilding period lasting from 09:00 hours (CET) on 6 May 2019 to 14:00 hours (CET) on 14 May 2019 (the "**Bookbuilding Period**") whereby the Company and the Managers entered into application agreements with the investors pursuant to which the investors undertook to subscribe for the Private Placement Shares.

The Allotted Shares will, subject to timely payment of the application amount, be delivered to the investors in the Private Placement on 22 May 2019.

See Section 17.8 "Expenses of the Private Placement and the Listing" for information regarding fees expected to be paid to the Managers and costs expected to be paid by the Company in connection with the Listing. The Company has undertaken, subject to certain conditions and limitations, to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Listing.

The Company, the Company's largest shareholder, KSH, and the management of the Company has made certain undertakings with the Managers in the Engagement Letter, including giving an undertaking to restrict ability for the Company to issue Shares for 6 months following the Listing, for KSH to sell or transfer Shares for 12 months following the Listing, and for the members of the Board of Directors and management for 12 months following the Listing.

This Prospectus does not constitute an offer of, or an invitation to purchase any Shares in any jurisdiction in which such offer or sale would be unlawful.

17.2 Reasons for the Private Placement

The net proceeds from the Private Placement will be used to partly finance the equity portion of two declared options for the construction of a seventh and eighth CLEANBU newbuilding at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery in Q1 2021.

In the view of the Board of Directors, the Private Placement was legally justified and fit to promote the Company's and the shareholders' common interests. The Board of Directors further believes that the growing of the Company's CLEANBU fleet will be value creating for the Company's shareholders.

17.3 Resolution relating to the Private Placement

The Private Placement Shares were issued pursuant to a resolution by the Board of Directors on 15 May 2019 based on an authorisation granted by the annual general meeting on 22 March 2019.

[4] USD/NOK rate of 8.7288 using noon-buying rate from Norges Bank as of 14 May 2019

17.4 Share capital following the Private Placement

Prior to the issuance of the Private Placement Shares, the Company's issued share capital was NOK 40,512,000 divided into 40,512,000 Shares, each with a nominal value of NOK 1.00. Following the issuance of the Private Placement Shares, the Company's share capital is NOK 47,880,000 consisting of 47,880,000 Shares, each with a nominal value of NOK 1.00 per Share.

Reference made to Section 14.3 "Share capital and share capital history" for an overview of the share capital development of the Company.

17.5 The rights conferred by the Private Placement Shares

The Private Placement Shares issued in the Private Placement are ordinary Shares in the Company each having a par value of NOK 1.00. The Private Placement Shares are issued in accordance with Norwegian law and in all respects rank pari passu with all other Shares in issue and the existing Shares of the Company prior to the Private Placement in all respects, and will be eligible for any dividend that the Company may declare on the Shares after the delivery of the Private Placement Shares. Consequently, the Company has only one class of Shares. The Shares in the Company are freely transferable and subject to the Articles of Association and any applicable securities laws, there are no restrictions on trading in the Shares.

The Articles of Association of the Company provide that all Shares shall represent a right to one vote each. All of the issued Shares of the Company, including the Private Placement Shares, have equal voting rights from their date of issuance. See Section 14 "Corporate Information and Description of the Share Capital" for a further description of certain matters pertaining to the Company's Shares, which apply also for the Private Placement Shares.

17.6 Admission to trading of the Shares

The Shares have not previously been admitted to a regulated market, but the Shares, not including the Private Placement Shares, have since 15 October 2018 been traded on N-OTC with ticker code "KCC". It is expected that the first day of trading of the Shares, including the Private Placement Shares, on the Oslo Axess will be on or about 22 May 2019.

The Shares, including the Private Placement Shares, have been created under the Norwegian Public Limited Companies Act. The Shares are registered in book-entry form with the VPS and have ISIN NO 001 0833262. The Company's register of shareholders with the VPS is administrated by DNB Bank ASA, Dronning Eufemias gate 30, N-0191 Oslo, Norway.

17.7 Publication of information in respect of the Listing

In addition to press releases which was posted on the Company's website, the Company will use the Oslo Stock Exchange's information system (NewsWeb) to publish information relating to the Company and its Shares.

17.8 Expenses of the Private Placement and the Listing

The net proceeds to the Company from the Private Placement will be approximately NOK 331 million, based on total transaction costs, and incidental to, the Listing and the Private Placement of approximately NOK 19 million paid by the Company.

The Company paid the Managers a commission calculated on basis of gross proceeds of the Private Placement. The Company will also pay or cause to be paid certain costs and expenses of and incidental to the completion of the Listing, including, but not limited to, those of the of the Managers, and will also provide certain indemnities for the benefit of the Managers against certain losses and liabilities arising out of or in connection with the Listing.

No expenses or taxes will be charged by the Company or the Managers to the subscribers of the Private Placement.

17.9 Lock-up

17.9.1 The Company

Pursuant to an undertaking included in the Mandate Agreement, the Company undertook that it will not, without the prior written consent of the Managers, during the period up to and including the date falling 180 days from the first day of trading of the Shares on Oslo Axess, issue any further shares unless in relation to (1) the issue of Shares in the Private Placement, (2) granting of options or subscription rights or issuance of shares or Shares under ordinary employee incentive programmes or (3) the issue of new Shares as consideration in connection with acquisitions of companies and businesses.

17.9.2 The Largest Shareholder (KSH)

The Company's largest shareholder (KSH) undertook that it will not, and that it will procure that none of its subsidiaries will, without the prior written consent of the Managers, during the period up to and including the date falling 12 months from the first day of trading of the Shares on Oslo Axess, (1) sell, offer to sell, contract or agree to sell, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly any Shares or any Shares convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any Shares convertible into or exercisable or exchangeable for Shares, or warrants or other rights to purchase Shares, whether any such transaction is to be settled by delivery of Shares or such other Shares, in cash or otherwise, or (3) publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) the transfer of Shares to any of the Managers pursuant to the Listing, (B) any action (including, for the avoidance of doubt, pre-accepting such offers) in connection with a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Shares Trading Act or a legal merger, (C) any transfer of Shares (i) any entity that is directly or indirectly controlled by, controls or is under common control with KSH or (ii) any of KSH's affiliates or any of its affiliates' directors and officers, in each case who assume the same lock-up obligations as undertaken by the transferring KSH or (D) any Shares acquired following the completion of the Listing.

17.9.3 Senior management and Directors

Pursuant to additional lock-up undertakings, the primary insiders of the Company, including the senior management and Directors undertook that they will not, without the prior written consent of the Managers, during the period up to and including the date falling 6 months from the first day of trading of the Shares on Oslo Axess, directly or indirectly, (1) offer, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, pledge or otherwise transfer or dispose of any Shares or any Shares convertible into or exercisable or exchangeable for Shares or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Shares, or such other Shares, in cash or otherwise, or (3) agree or publicly announce an intention to effect any transaction specified in clause (1) or (2), provided, however, that the foregoing shall not apply to: (A) any action (including, for the avoidance of doubt, pre-accepting such offer) in connection with a takeover offer for all Shares in accordance with chapter 6 of the Norwegian Shares Trading Act or (B) any transfer of Shares to any entity directly or indirectly controlled by the shareholder who assume the same lock-up obligations as undertaken by the shareholder.

17.10 Interest of natural and legal persons involved in the Listing

The Managers or their affiliates have provided from time to time, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions, and as such, have an interest in the Listing. See Section 17.8 "Expenses of the Private Placement and the Listing" for information on fees to the Managers in connection with the newly completed Private Placement and the Listing. The Managers, their employees and any affiliate may currently own Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Beyond the above-mentioned, the Company is not aware of any interest, including conflicting ones, of any natural or legal persons involved in the Listing.

17.11 Participation of major existing shareholders and members of the Management, supervisory and administrative bodies in the Private Placement

The following major existing shareholders and members of the Company's management, supervisory or administrative bodies subscribed for, and were allocated, Private Placement Shares in the Private Placement:

Name/Company	Title/Position (if any)	Allocated Private Placement Shares	Shareholding after Private Placement	Ownership after Private Placement
KSH		184,200	25,845,950	54.0%
EGD		55,260	8,788,260	18.4%

Lori Wheeler Næss	Board member	2,105	2,105	0,03%
Ingri Langemyhr	Senior Financial Controller	3,000	5,250	0.07%
Håkon Arne Moltubakk	Senior Financial Analyst	842	842	0.01%

17.12 Over-allotment and stabilisation activities

In connection with the Private Placement, the Managers over-allotted 382,000 Shares (the Additional Shares), equal to approximately 5% of the Private Placement Shares.

In order to permit the delivery in respect of the Additional Shares, ABG Sundal Collier ASA (the "**Stabilisation Manager**") borrowed from the Company's largest shareholder, Klaveness Ship Holding AS ("**KSH**"), a number of Shares equal to the number of Additional Shares allocated in the Private Placement. Further, the Company has granted to the Managers an option to subscribe for a number of new Shares equal to the number of Additional Shares (the "**Over-allotment Option**"), which may be exercised on behalf of the Mangers by the Stabilisation Manager not later than the 30th day following the time at which trading in the Shares commences on Oslo Axess, at a price equal to the Offer Price in the Private Placement, i.e. NOK 47.50 per Share, as may be necessary to cover over-allotments and short positions made in connection with the Private Placement. By over-allotting Shares in the Private Placement, the Managers have created a short position in the Shares. The Stabilisation Manager may close out this short position by buying Shares in the open market through stabilisation activities and/or by exercising the Over-allotment Option.

Any exercise of the Over-allotment Option will be promptly announced by the Stabilisation Manager through the Oslo Stock Exchange's information system.

The Stabilisation Manager may from the first day of the Listing, effect transactions with a view to support the market price of the Shares at a level higher than what might otherwise prevail, through buying Shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilisation Manager to conduct stabilisation activities and there is no assurance that stabilisation activities will be undertaken. Such stabilisation activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days after the time at which trading in the Shares commences on Oslo Axess. It should be noted that stabilisation activities might result in market prices that are higher than what might otherwise prevail.

Any stabilisation activities will be conducted in accordance with Section 3-12 of the Norwegian Securities Trading Act and the EC Commission Regulation 2273/2003 regarding buy-back programmes and stabilisation of financial instruments.

Any profit and loss resulting from such over-allotment or stabilisation shall be borne by or be attributed to the Company.

Within one week after the expiry of the 30 calendar day period of price stabilisation, the Stabilisation Manager will publish information as to whether or not price stabilisation activities were undertaken. If stabilisation activities were undertaken, the statement will also include information about: (i) the total amount of Shares sold and purchased; (ii) the dates on which the stabilisation period began and ended; (iii) the price range between which stabilisation was carried out, as well as the highest, lowest and average price paid during the stabilisation period; and (iv) the date at which stabilisation activities last occurred.

17.13 Governing law and jurisdiction

This Prospectus shall be governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, this Prospectus shall be subject to the exclusive jurisdiction of the courts of Norway, with the Oslo District Court as the legal venue.

18 ADDITIONAL INFORMATION

18.1 Independent auditor

The Company's independent auditor is Ernst & Young AS, with business registration number 976 389 387, and registered address at Dronning Eufemias gate 6, N-0191 Oslo, Norway. Ernst & Young AS is a member of Den Norske Revisorforeningen (The Norwegian Institute of Public Accountants). Ernst & Young AS has been the Company's auditor since its inception in 2018.

18.2 Advisors

ABG Sundal Collier ASA (Munkedamsveien 45E, 7th floor 0250 Oslo, Norway) and Clarksons Platou Securities AS (Munkedamsveien 62C, 0270 Oslo, Norway) are acting as Joint Global Coordinators and Joint Bookrunners and SEB Corporate Finance (a part of Skandinaviska Enskilda Banken AB (publ) Oslofilialen) (Filipstad Brygge 1, 0252 Oslo, Norway) as Joint Bookrunner for the Listing.

Advokatfirmaet Schjødt AS (Ruseløkkveien 14-16, N-0251 Oslo, Norway) is acting as Norwegian legal counsel to the Company.

Advokatfirmaet Thommessen AS (Haakon VIIs gate 10, 0161 Oslo, Norway) is acting as Norwegian legal counsel to the Managers.

18.3 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Drammensveien 260, 0283 Oslo, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- the Company's certificate of incorporation and Articles of Association;
- all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;
- the Financial Statements;
- this Prospectus.

19 DEFINITIONS AND GLOSSARY

In the Prospectus, the following defined terms have the following meanings:

ABG or ABG Sundal Collier	ABG Sundal Collier ASA, Joint Global Coordinator and Joint Bookrunner.
Additional Shares	In connection with the Private Placement, the Managers over-allotted 382,000 Shares.
Annual General Meeting......................	The Company's annual general meeting.
APMs..	Alternative performance measures.
Articles of Association	The Company's articles of association.
AUD	Australian dollar, the lawful currency of the Commonwealth of Australia.
Board of Directors..............................	The board of directors of the Company.
Board Members	The members of the Board of Directors.
Bookbuilding Period	The bookbuilding period for the Private Placement which took place from 09:00 hours (CET) on 6 May 2019 to 14:00 hours (CET) on 14 May 2019.
BSA	Business Services Agreement between Klaveness AS and various Group companies.
CABU...	Caustic soda – bulk carrier.
CEO	Chief Executive Officer.
CET	Central European Time.
CFO	Chief Financial Officer.
CGU	Cash generating unit.
Clarksons Platou Securities	Clarksons Platou Securities AS, Joint Global Coordinator and Joint Bookrunner.
CLEANBU..	Clean petroleum product – bulk carrier.
COA...	Contract of affreightment.
Company	Klaveness Combination Carriers ASA.
COO...	Chief Operations Officer.
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance, dated 17 October 2018.
CPP..	Clean Petroleum Products.
CSS	Caustic Soda Solution.
Dwt, or dwt	Deadweight tonnage, the global metric referring to the carrying capacity of a vessel.
Operating EBITDA margin	Gross operating profit (loss) divided by total operating income.
EEA	The European Economic Area.
ECAs	Emission Control Areas.
EGCS	Exhaust Gas Cleaning Systems.
EUR, euros or €	The lawful common currency of the EU member states who have adopted the Euro as their sole national currency.
EU Prospectus Directive......................	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Member State.
EY	Ernst & Young AS, the Company's independent auditor.
Financial Statements..........................	The audited consolidated financial statements in accordance with IFRS as of and for the years ended 31 December 2018 and 2017. The Financial Statement for 2018 is for Klaveness Combination Carriers ASA on a consolidated basis and the Financial Statements for 2017 and 2016 is for KCC Shipowning AS on a consolidated basis.
Forward-looking statements................	Statements that reflect the Company's current views with respect to future events and financial and operational performance. These forward-looking statements may be identified by the use of forward-looking terminology, such as the terms "anticipates", "assumes", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "should", "will", "would" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts.
General Meeting	The Company's general meeting of shareholders.
Group	The Company together with its consolidated subsidiaries.
HSFO	High Sulphur Heavy Fuel Oil.
IFRS	International Financial Reporting Standards, as adopted by the EU.
IMO	International Maritime Organization.
Joint Global Coordinators and Joint Bookrunners	ABG Sundal Collier ASA and Clarksons Platou Securities AS, collectively.

KAS	Klaveness AS.
KBA	KCC KBA AS, a wholly owned subsidiary of KCC.
KCCC	KCC Chartering AS, a wholly owned subsidiary of KCC.
KCCS	KCC Shipowning AS, a wholly owned subsidiary of KCC.
KSH	Klaveness Ship Holding AS.
LNG	Liquefied Natural Gas.
LSFO...	Low Sulphur Fuel Oil.
Listing	The listing of the Shares on Oslo Axess.
Management	The senior management team of the Company.
Managers	The Joint Global Coordinators and Joint Bookrunners.
MARPOL	The International Convention for the Prevention of Pollution from Ships.
MDO	Marine Diesel Oil.
MGO	Marine Gas Oil.
MiFID II...	EU Directive 2014/65/EU on markets in financial instruments, as amended.
NOK..	Norwegian Kroner, the lawful currency of Norway.
Non-Norwegian Corporate Shareholder.	Shareholders who are limited liability companies (and certain other entities) not resident in Norway for tax purposes.
Non-Norwegian Personal Shareholders .	Shareholders who are individuals not resident in Norway for tax purposes.
Norwegian Act on Overdue Payment	The Norwegian Act on Overdue Payment of 17 December 1976 no. 100.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes.
Norwegian FSA.................................	The Norwegian Financial Supervisory Authority (*Nw: Finanstilsynet*).
Norwegian Personal Shareholders	Shareholders who are individuals resident in Norway for tax purposes.
Norwegian Public Limited Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 (*Nw: allmennaksjeloven*).
Norwegian Securities Trading Act.........	The Norwegian Securities Trading Act of 29 June 2007 no. 75 (*Nw: verdipapirhandelloven*).
Offer Price	NOK 47.50
OPEC	Organization of Petroleum Exporting Countries.
Oslo Axess.......................................	Norwegian regulated market operated by Oslo Børs ASA.
Oslo Stock Exchange.........................	Oslo Børs ASA, or, as the context may require, Oslo Børs, Norwegian regulated market operated by Oslo Børs ASA.
Ouhua...	Zhejiang Ouhua Shipbuilding Co. Ltd.
PFIC..	A passive foreign investment company for U.S. federal income tax purposes.
Private Placement Shares	7,368,000 new shares issued by the Company in the Private Placement completed on 15 May 2019.
Prospectus.......................................	This Prospectus, dated 21 May 2019.
Rule 144A..	Rule 144A under the U.S. Securities Act.
SEB	SEB Corporate Finance, a part of Skandinaviska Enskilda Banken (publ) Oslofilialen, Joint Bookrunner.
Shares	Shares in the share capital of the Company as of the date of this Prospectus, each with a nominal value of NOK 1.00, or any one of them.
SPCs	Special Purpose Companies.
Stabilisation Manager	ABG Sundal Collier ASA.
Subsidiaries	KCC Shipowning AS, KCC Chartering AS, and KCC KBA AS.
UAN	Urea and Ammonuim Nitrate solution.
UK	The United Kingdom.
U.S. dollars, USD or $	The lawful currency of the United States of America.
U.S. or United States	The United States of America.
U.S. Exchange Act	The U.S. Securities Exchange Act of 1934, as amended.
U.S. Holder	A beneficial owner of Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the

	authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.
VLSFO	Very Low Sulphur Fuel Oil.
VPS	The Norwegian Central Securities Depository (*Nw: Verdipapirsentralen*).
VPS account	An account with the VPS for the holdings/depository of securities.
VPS Registrar	DNB Bank ASA.
YZJ	Jiangsu New Yangzi Shipbuilding Co., Ltd.

APPENDIX A:

ARTICLES OF ASSOCIATION OF KLAVENESS COMBINATION CARRIERS ASA

VEDTEKTER
FOR
KLAVENESS COMBINATION CARRIERS ASA

(per 15. mai 2019)

§ 1

Selskapets navn er Klaveness Combination Carriers ASA. Selskapet er et allmennaksjeselskap.

§ 2

Selskapet skal ha sitt forretningskontor i Drammensveien 260, 0283, Oslo kommune.

§ 3

Selskapets virksomhet er investeringer i og operasjon av «vått-tørt» kombinasjonsskip og alt som står i forbindelse med dette, herunder ved deltakelse i andre selskaper som eier eller opererer «vått-tørt» kombinasjonsskip.

§ 4

Selskapets aksjekapital er NOK 47 880 000, fordelt på 47 880 000 aksjer, hver pålydende NOK 1,00.

Aksjene i selskapet skal være registrert i et verdipapirregister.

Aksjene i selskapet er fritt omsettelige. Overdragelse av aksjer er ikke gjenstand for godkjennelse av selskapets styre eller forkjøpsrett for eksisterende aksjonærer.

§ 5

Selskapets styre skal bestå av tre til seks medlemmer, etter generalforsamlingens beslutning.

Signaturrett for selskapet tilligger (i) to styremedlemmer i fellesskap eller (ii) styrets leder alene. Styret kan tildele prokura.

§ 6

Selskapet skal ha en valgkomité, som velges av generalforsamlingen.

Valgkomitéen fremmer forslag til generalforsamlingen om (i) valg av styrets leder, styremedlemmer og eventuelle varamedlemmer til styret, og (ii) valg av medlemmer til valgkomitéen. Valgkomitéen fremmer videre forslag til generalforsamlingen om honorar til styret og valgkomitéen.

Generalforsamlingen fastsetter instruks for valgkomitéen og fastsetter honoraret til valgkomitéens medlemmer

ARTICLES OF ASSOCIATION
FOR
KLAVENESS COMBINATION CARRIERS ASA

(as per 15 May 2019)

(Unofficial English translation. In case of discrepancies between the Norwegian text and the English translation, the Norwegian text shall prevail.)

§ 1

The name of the company is Klaveness Combination Carriers ASA. The company is a public limited liability company.

§ 2

The company shall have its registered office at Drammensveien 260, 0283, municipality of Oslo.

§ 3

The purpose of the company is investments in and operation of "wet-dry" combination carriers and all related activities, including acquiring interests in other companies owning or operating "wet-dry" combination carriers.

§ 4

The company's share capital is NOK 47,880,000, divided into 47,880,000 shares, each with a par value of NOK 1.00.

The shares in the Company shall be registered in a central securities depository.

The shares in the company are freely transferable. Transfer of shares is not subject to approval by the company's board of directors or a right of first refusal for existing shareholders.

§ 5

The board of directors shall consist of three to six members as to be determined by the general meeting.

Signatory rights for the company lie with (i) two board members jointly or (ii) the Chair of the Baard alone. The board of directors may grant power of procuration.

§ 6

The company shall have a nomination committee, which is elected by the General Meeting.

The nomination committee shall present proposals to the General Meeting regarding (i) election of the Chairman of the Board, board members and any deputy members of the Board and (ii) election of members of the nomination committee. The nomination committee shall also present proposals to the General Meeting for remuneration of the Board and the nomination committee.

The General Meeting shall adopt instructions for the nomination committee and determine the remuneration of the members of the nomination committee.

§ 7

På den ordinære generalforsamling skal følgende saker behandles og avgjøres:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Godkjennelse av styrets erklæring om lønn og annen godtgjørelse til ledende ansatte.
3. Andre saker som etter loven eller vedtektene hører inn under generalforsamlingen.

Retten til å delta og stemme på generalforsamlinger i selskapet kan bare utøves for aksjer som er ervervet og innført i aksjeeierregisteret den femte virkedagen før generalforsamlingen.

Aksjeeiere som vil delta i en generalforsamling i selskapet, skal melde dette til selskapet innen en frist som angis i innkallingen til generalforsamling, og som ikke kan utløpe tidligere enn fem dager før generalforsamlingen. Aksjeeier som ikke har meldt fra innen fristens utløp, kan nektes adgang.

Når dokumenter som gjelder saker som skal behandles på generalforsamlingen, er gjort tilgjengelige for aksjeeierne på selskapets internettsider, gjelder ikke lovens krav om at dokumentene skal sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen. En aksjeeier kan likevel kreve å få tilsendt slike dokumenter.

§ 8

For øvrig henvises det til den til enhver tid gjeldende aksjelovgivning.

§ 7

The ordinary general meeting shall consider and decide the following matters:

1. Adoption of the annual accounts and the annual report, including the question of declaration of dividends.
2. Approval of the statement from the board of directors regarding salary and other remuneration to the executive management.
3. Any other matters which under the law or these Articles of Association come within the province of the general meeting.

The right to participate and vote at general meetings of the company can only be exercised for shares which have been acquired and registered in the shareholders register in the shareholders on the fifth business day prior to the general meeting.

Shareholders who intend to attend a general meeting of the company shall give the company written notice of their intention within a time limit given in the notice of the general meeting, which cannot expire earlier than five days before the general meeting. Shareholders, who have failed to give such notice within the time limit, can be denied admission.

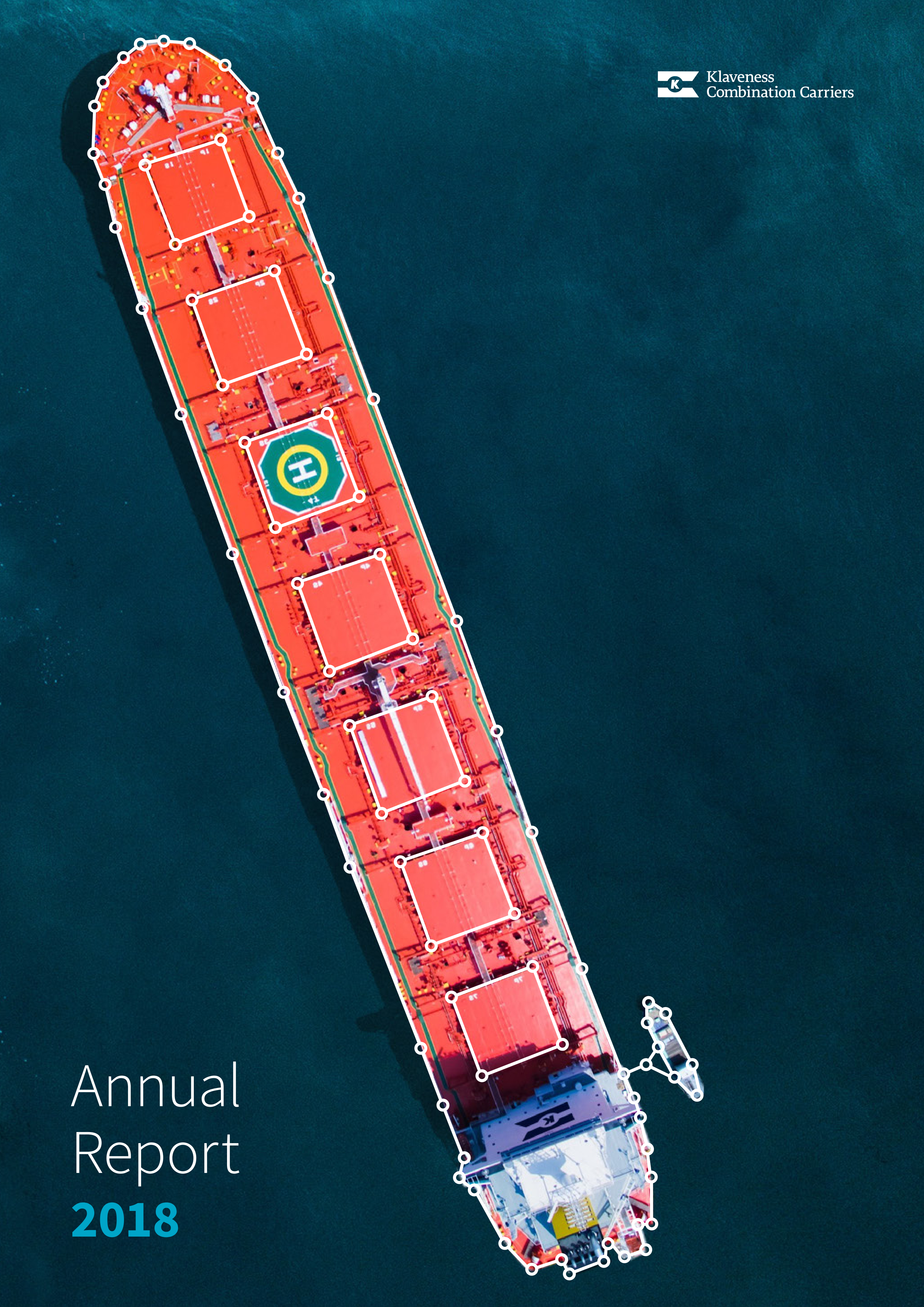
When documents pertaining to matters which shall be handled at a general meeting have been made available for the shareholders on the company's website, the statutory requirement that the documents shall be distributed to the shareholders, does not apply. This is also applicable to documents which according to statutory law shall be included in or attached to the notice of the general meeting. A shareholder may nonetheless demand to be sent such documents.

§ 8

Reference is also made to the company legislation in force from time to time.

APPENDIX B:

CONSOLIDATED FINANCIAL STATEMENT FOR KLAVENESS COMBINATION CARRIERS AS FOR THE YEAR ENDED 31 DECEMBER 2018



Klaveness Combination Carriers

Annual Report 2018

Board of Directors' report 2018

OBJECTIVE

Klaveness Combination Carriers AS ("KCC") is the leading, global owner and operator of combination carriers, vessels that on a consecutive basis switch between transporting wet and dry bulk products. The efficient trading pattern provides the most environmentally friendly transportation system with the lowest carbon emissions in the industry. Klaveness Combination Carriers' objective is to establish and expand a profitable global combination carrier service within several regions, servicing the alumina and the petroleum/petrochemical industries and to also establish new combination services. As a result, the existing investors in the combination carrier business agreed to consolidate ownership and operation into a new company, Klaveness Combination Carriers AS ('KCC') in March 2018.

HIGHLIGHTS 2018

Safety is priority number one in Klaveness Combination Carriers and to the Board's satisfaction there were no major incidents in 2018.

2018 was an eventful year for Klaveness Combination Carriers. After KCC was established and the shares in KCC Shipowning AS and KCC KBA AS were transferred to KCC as contribution in kind, the existing investors in the single purpose ship owning companies (SPCs) swapped their shares in the SPCs with shares in KCC. In addition, KCC purchased the combination carrier chartering company, KCC Chartering AS, from Rederiaksjeselskapet Torvald Klaveness. The consolidation of ownership and activities under KCC's umbrella was followed by two equity raises of in total USD 57 million and a registration of the share on N-OTC on October 15. The number of investors increased from three to around 75, laying a strong basis for further development of KCC. As a result of the stronger equity position, additional three options for three combination carrier newbuilds were declared. The KCC fleet will hence consist of 15 vessels at the end of 2020.

During the autumn of 2018, further initiatives were implemented to streamline the legal and funding structure of the Klaveness Combination Carriers Group of companies. Seven of the Group's vessels were owned by single purpose companies. Ownership of these vessels were merged into one ship owning company and seven bank facilities were merged into two larger facilities. From its establishment, KCC was partly funded through a USD 36 million unsecured loan from its largest owner, Klaveness Ship Holding AS. As a consequence of the consolidation of the combination carrier activities and as part of the preparation for a potential listing of KCC, Klaveness Ship Holding AS and KCC in December 2018 initiated a process with the bond holders, proposing to assign and transfer Klaveness Ship Holding's rights and obligations under its bond issue of NOK 300 million to Klaveness Combination Carriers. The proposal was accepted by the bond holders in January 2019 and the bond changed debtor to KCC on 30 January 2019. The unsecured loan between Klaveness Ship Holding and Klaveness Combination Carriers of USD 36 million was consequently settled.

The combination carriers continued to deliver positive results in 2018. Earnings for the nine vessels on water, the CABU (caustic-bulk) combination carriers, strengthened in 2018, mainly due to somewhat improved dry bulk markets, higher marine fuel prices, a more optimal trading pattern and a higher number of caustic soda cargoes under the contracts of affreightment in Pacific trade-lanes compared to 2017. Earnings in 2018 were negatively impacted by a historically weak product tanker market in the summer and autumn of 2018 before strengthening towards the end of the year.

The construction of the new CLEANBU (clean petroleum products-bulk) combination carriers are progressing well, more or less in line with schedule.

THE BUSINESS

By year-end 2018, the fleet consisted of nine CABU vessels on water and six CLEANBU vessels under construction at Jiangsu New Yangzi Shipbuilding Co., Ltd. in China. The first CLEANBU vessel was delivered 10 January 2019, and the second and third vessels are estimated to be delivered in March and April 2019. The last three vessels will be delivered in 2020. The Group holds in addition eight individual options for additional CLEANBU vessels at the same yard, with delivery in 2021-2022.

The CABU vessels are combination carriers transporting mainly caustic soda solution and all types of dry cargo, mainly in the Far East, the Middle East, Australia, Brazil and North America. The CLEANBU vessels can in addition transport clean petroleum products, giving them a wider range of trading possibilities.

The CABU vessels were largely employed in combination trades with shipments of caustic soda for customers in the Australian and Brazilian alumina industry and dry bulk return shipments with alumina, bauxite, salt, iron ore and coal. While caustic soda shipments were mainly based on contract of affreightments, dry cargoes were partly spot and partly contract shipments. Total caustic soda shipments accounted in 2018 for approximately 46 per cent of the available vessel days, while dry bulk cargoes, which are mainly north-bound from Australia to the Far East or Middle East and from Brazil to the US Gulf accounted for approximately 54 per cent of the available vessel days in 2018. Operations were satisfactory in 2018 with average unscheduled off-hire limited to 1.8 days per vessel in average for the total fleet. The vessel MV Banasol was dry-docked during 2018.

During 2018, the Group has succeeded in expanding its contract portfolio for shipment of both caustic soda and dry bulk commodities. Four contracts of affreightment for shipment of caustic soda were entered into or renewed in 2018, including a 3-5 years extension of the contract with South32, one of the main caustic soda contracts. Commercial discussions are ongoing with key charterers in targeted clean petroleum product trades.

FINANCIAL REVIEW

FINANCIAL RESULTS

Net revenues from operation of vessels ended at USD 56.4 million (2017: USD 46.2 million). The revenues were impacted by improved underlying markets, a more optimal trading pattern and a higher number of caustic soda cargoes. The total number of caustic soda days was 6% higher than in 2017. The force majeure situation at Norsk Hydro's Alunorte alumina refinery in Brazil had negative revenue effects for the last three quarters. Shipment volumes under the contract with Alunorte were reduced by more than 50% and surplus CABU fleet capacity was mainly re-allocated to dry bulk trading in the Pacific.

The Group had Operating profit before depreciations (EBITDA) of USD 30.8 million (2017: USD 23.6 million) and a profit before tax (EBT) of USD 8.8 million (2017: USD 2.7 million). Prior to the establishment of Klaveness Combination Carriers AS in 2018 and purchase of the chartering company, KCC Chartering AS, commercial management fee was deducted prior to distribution of net earnings from the chartering company to the vessels, i.e. part of the charter hire revenue reported in 2017. From March 2018, the chartering company was part of the Klaveness Combination Carriers Group of companies and commercial management fee has in 2018 been reported as part of Group commercial and administrative services. The 2018 commercial management fee is in line with the 2017 fee. Vessel operating expenses amounted to USD 21.6 million in 2018, in line with operating expenses in 2017 of USD 21.2 million. Net result from financial items came in at negative USD 5.1 million, compared to negative USD 3.6 million in 2017.

Positive mark to market effects, net of foreign currency losses, were USD 1.1 million in 2018 against USD 0.5 million in 2017. The increased financial interest cost mainly relates to the unsecured loan provided by Klaveness Ship Holding AS to KCC.

FINANCIAL POSITION

At year-end 2018, the consolidated book equity was USD 178.1 million (2017: USD 173.3 million), corresponding to a book equity ratio of 53% (2017: 59%). Interest-bearing debt increased from USD 115.3 million at year-end 2017 to USD 143.9 million at year-end 2019. The increased interest-bearing debt and lower equity ratio in 2018 aree consequences of a capital decrease resulting in a loan from Klaveness Ship Holding AS carried out in connection with the consolidation of the combination carrier activities under Klaveness Combination Carriers AS in 2018.

Cash and bank deposits were USD 88.3 million at year-end 2018, up from USD 51.5 million at year-end 2017, mainly as a result of capital raised from existing and new investors during 2018.

CASH FLOW

During 2018, the Group had a positive cash flow from operating activities of USD 27.9 million (2017: USD 24.5 million). The net cash flow from investing activities was negative by USD 24.1 million (2017: negative USD 43.6 million), mainly consisting of USD 22.1 million in payments for vessels under construction and USD 2.8 million in docking costs. The cash flow from financing activities was positive USD 30.7 million (2017: USD 3.3 million) whereof capital raised USD 57.0 million, repayment of debt and interest costs USD 14.6 million and group contribution with a cash effect of USD 10.0 million.

FINANCING AND GOING CONCERN

The Group had two loans falling due in 2018 of in total USD 9 million. The two facilities were refinanced with the existing bank in parallel with merging the existing seven bank facilities into two larger facilities. Bank financing has been secured for the three first CLEANBU newbuilds with delivery in 2019. Discussions with respect to financing of the three remaining CLEANBU newbuilds with delivery in 2020 are ongoing and initial feedback from existing banks and a limited number of other banks is positive. No debt facilities fall due in 2019, except for a 364 days overdraft facility of USD 10 million which is extended once a year.

The accounts are reported under the assumption of a going concern. The Board considers the financial position of Klaveness Combination Carriers at year-end 2018 to be solid and the liquidity to be good. Current cash flow, liquidity position, existing bank debt, committed bank financing for the three newbuilds with delivery in 2019 and bank financing for the three last newbuilds with delivery in 2020 which is under negotiation are considered sufficient to cover all approved commitments.

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.

MARKET DEVELOPMENT

Earnings are driven by the dry bulk, product tanker and fuel markets. The main competition for the vessels comes from standard MR- and LR-tankers and panamax/kamsarmax dry bulk vessels. Hence KCC's earnings are impacted by the market development in these dry bulk and product tanker segments. Due to KCC's efficient combination trading pattern with minimal ballast, KCC's earnings are also positively impacted by increased fuel costs. These three markets, the product tanker market, the dry bulk market and the bunkers market, have moved in different directions in 2018.

Following price increases in 2017, oil prices had a volatile year in 2018, however, the average Ice Brent Crude price of 70 USD/barrel for 2018 was up 28% compared to the 2017 average. Oil prices started the year on a weak note with the Ice Brent Crude oil bottoming out at 59 USD/barrel in early February, whereafter it peaked at 85 USD/barrel in early October before again turning and ending the year at 54 USD/barrel. Bunker fuel prices largely followed crude oil prices, and bunkers with delivery in Singapore averaged the year at 433 USD/mt, up from 328 USD/mt in the previous year.

Dry bulk freight rates continued to improve in 2018 after bottoming out in first quarter of 2016. According to the Baltic exchange, Panamax spot freight rates averaged 11,635 USD/day in 2018, an increase of 1,804 USD/day compared to the average spot rates for 2017. Global dry bulk demand improved through the year on the back of solid growth in global industrial production. However, the global growth rates peaked in first quarter of 2018 as the growth in the major economies decelerated the last three quarters of 2018.

Clarksons estimates that total dry bulk ton mile growth was 2.7% in 2018, down from 5.0% in 2017. The total dry bulk fleet grew with 2.8% in 2018, mirroring the growth of 2017 as lower deliveries were offset by lower scrapping. Hence, demand growth was largely in line with the fleet growth in 2018.

According to official Chinese trade data, Chinese seaborne iron ore imports posted zero growth in the first eleven months of the year. Nevertheless, strong minor bulk and coal imports brought year to date November seaborne Chinese imports to a growth of 4.4% for the same period.

Klaveness Research's analysis indicates that the global seaborne coal trade maintained the strong growth of more than 6% from 2017. China, India and emerging Asian economies were the main contributors. Chinese coal imports went up close to 12% in the first 11 months of 2018 as the growth in thermal generation exceeded the growth in domestic coal production, however, imports were low in December as the Chinese government restricted trade with import quotas. Indian coal imports posted a strong 14% year-on-year growth as domestic supply growth fell short of the demand growth. Coal imports also grew at a rapid pace in emerging Asian economies as new thermal coal plants came on stream. The global grain trade posted another record year, but growth slowed to 2% as Chinese tariffs on US soybean export led to negative growth rates in fourth quarter.

The product tanker market has in general been relatively flat over 2017 and 2018, with a negative sentiment and periods of historic low spot markets. One-year time charter rates averaged around 13,000 USD/day for the MR and LR1 vessels in 2018, while average rate for the LR2 vessels was around 15,000 USD/day both in 2017 and 2018. There was limited activity in the period market these two years, with few fixtures and trading houses redelivering outgoing time charter tonnage. The gap in rates between the period market and the spot market further limited the number of period deals.

The market for transportation of dirty oil products saw a significant push during the autumn of 2018. Clean LR2 vessels started trading in the dirty market, creating a cascading effect pushing up rates in the product tanker markets.

For the combination carriers' trading regions, clean petroleum product volumes have been quite stable over the last years. Australia is currently importing 27 million metric tons per year, up about 1% year-on-year. As a consequence of refinery shut downs prior to 2015, LR1 and LR2 volumes have picked up, before stabilizing at around 135 fixtures per year in total for the LR1 and LR2 fleet in 2017 and 2018. However, LR2s increasing its share of the total LR volume, up from 33% in 2017, to 50% in 2018.

Imports into the Chile- and Peru-region have also been relatively flat over the last years at around 12 million metric tons per year. US Gulf is the prime sourcing area, with Far East counting a stable 10% of total imports. The volumes are mainly transported on MR vessels, supplemented by some LR1 fixtures. Shore tank capacity is increasing, potentially opening for an increased share of the larger standard vessels going forward. Naphtha and condensate volumes into East coast Brazil have also been steady during 2018.

HEALTH, SAFETY AND ENVIRONMENT

The Klaveness Combination Carriers' fleet is under technical management by Klaveness Ship Management AS. The fleet experienced no major, three medium and 26 minor injuries in 2018. Injuries that require repatriation of crew members, such as e.g. fractured arms or broken ribs, are classified as medium injuries. All reported incidents and near-accidents are used for learning and to improve routines and procedures on board as well as onshore.

In 2018, there were 20 vetting inspections of the CABU vessels. All vessels passed. Average number of observations per inspection for the SIRE vettings in 2018 was 3.16, down from an average of 3.6 in 2017. The fleet went through 18 Port State Controls in 2018, with no detentions. 13 of these inspections were completed without any deficiencies and the average number of deficiencies per inspection for 2018 was 0.44, down from 1.09 in 2017.

There has been less Piracy activity in the Indian Ocean in 2018 compared to 2017 and no vessels were hijacked during 2018. There is still a risk of incidents off the coast of Yemen in the Red Sea, while the activity in the Sulu Sea has decreased in 2018. The areas are monitored, and vessels are updated and requested to take precautionary measures when entering these areas.
There are still some cases of theft and robberies of vessels in the Malacca/Singapore Strait, and the KCC vessels are advised to be vigilant in these areas.

The operation of vessels has an impact on the environment. The company is taking technical and operational precautions to protect the environment as embodied in the ISM code and MARPOL convention. To comply with the Tier III NOx reduction requirements, Klaveness decided as one of the first ship owners, to install a SCR (Selective Catalytic Reduction) plant on the newbuilds with delivery from 2019. This will reduce the NOx emissions with more than 75% compared to the Tier II requirements. Furthermore, an effective dry-wet combination trading pattern with limited number of ballast days is substantially reducing the environmental footprint of the Group's activities compared to standard dry bulk and tanker vessels. KCC is well positioned for the global sulphur cap regulation implemented by IMO that take effect in 2020.

KCC has in 2018 revised its environmental policy and all aspects of the Group's environmental footprint have been identified and assessed, with mitigating initiatives to be implemented in 2019. The main categories for focus are related to emissions to air and discharges to sea. In addition, initiatives related to transport of invasive species as well as noise and dust will be implemented.

KCC has no employees and all services are provided by affiliated companies owned by Rederiaksjeselskapet Torvald Klaveness. The board consists of three men and two women.

RISK AND RISK MANAGEMENT

The Group's business is exposed to risks in many areas. Risk management of the combination carrier activities are performed by the management and through services rendered from the affiliated companies, Klaveness AS and Klaveness Ship Management AS. Risk assessment, monitoring and implementation of mitigating actions are a part of daily activities, and on a quarterly basis the Board will be presented with a risk assessment report. It is important for the Board of Directors that the right risk /reward assessment is made and that internal control routines are adequate.

MARKET RISK

Market risks in the shipping markets relate primarily to changes in freight rates, fuel prices, vessel values and counterparty credit risk. These risks are monitored and managed according to procedures and mandates decided by the Board and to ensure a high probability that capital and liquidity are sufficient to cover potential losses. Fuel price risk is partly hedged through bunker adjustment factor clauses (BAFs) and fuel derivative and dry bulk market exposure is partly hedged through freight forward agreements (FFA).

COMMERCIAL RISK

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

FINANCIAL RISKS

A large part of the Group's costs and income are USD denominated, hence the currency exposure is limited. Interest rate exposure is hedged through swaps and open exposure is limited.

There were no major unforeseen events of a financial nature during 2018. The liquidity risk of the Group is considered acceptable. Equity financing is in place for all newbuilds on order and bank financing has been secured for the three newbuilds with delivery in 2019.Discussions with banks for financing of the three newbuilds for delivery in 2020 are ongoing. Current cash, available undrawn credit and projected operating cash flow are considered sufficient to cover the Group's commitments within the next 12 months.

OPERATIONAL RISKS

Operational risks in the shipping and trading activities are managed through quality assurance, control processes and training of seafarers and hired-in land-based employees. All employees in the affiliated companies attend in-house training to ensure compliance with applicable legislation and the Klaveness Code of Conduct. The organisation is continuously working to learn from incidents and accidents by developing procedures and training accordingly.

The vessels sail in waters exposed to piracy. All vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks.

At the end of 2018, the Group had six newbuilds on order. Dedicated on-site personnel supervise the building processes. There is performance risk associated with the newbuilds. Tier one Chinese banks provide refund guarantees and the yard itself is considered to be financially strong.

ENVIRONMENTAL RISKS

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the Group to liability without regard to whether the Group was negligent or at fault. Additionally, the Group cannot predict the cost of compliance with any new environmental protection and other laws and regulations that may become effective in the future. Quality is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the utmost regard for the safety of employees, the public and the environment, in accordance with sound business practice and in compliance with environmental regulations. From January 1, 2020, the International Maritime Organization (IMO) has decided that the maximum allowed sulphur content will be 0.5%, compared to heavy fuel oil used today, with an average sulphur content of 2.45% (and max 3.5%). The new IMO regulations will cause the majority of the world merchant fleet to switch out of high sulphur fuel oil (HFO) and into middle distillate gasoil (MDO), creating an expected larger price spread between HFO and MDO. For the combination carriers, higher bunker prices lead to higher earnings as the value of operational efficiency increases.

REGULATORY RISKS

Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of,the Group could have material impact on the business. To limit this exposure, procedures have been implemented to comply with all applicable regulations and legislation, and all counterparties go through a due diligence check.

THE PARENT COMPANY

The result for the parent company, Klaveness Combination Carriers AS, was a loss after tax of USD 2.4 million for 2018. The loss is proposed transferred to other equity.

EVENTS AFTER THE BALANCE SHEET DATE

The first vessel in KCC's new generation of combination carriers, the CLEANBUs, was delivered 10 January 2019. On its maiden voyage, the vessel makes a caustic soda contract shipment from the Far East to Australia and is expected to start trading in the product tanker market within February.

On 16 January 2019, the bond holders of Klaveness Ship Holding AS' NOK 300 million bond issue accepted to change the debtor of the loan from Klaveness Ship Holding AS to Klaveness Combination Carriers AS. The debtor change was effective from 30 January 2019. The loan given by Klaveness Ship Holding AS to KCC of USD 36 million was on the same date settled.

OUTLOOK

KCC enters into shipment contracts for both the caustic soda and dry bulk shipping legs for periods of normally the next one to two years, supplementing cargo volumes under longer term contracts. KCC targets to each year book close to the CABU's full "tanker" capacity with its caustic soda customers while targeting a lower contract coverage for the CABU's dry bulk capacity. At the end of January 2019, approximately 70% of the targeted caustic soda shipment volumes for 2019 were contracted, of which around 75% is fixed rate contracts and the balance index linked contracts. As of the same date, around 45% of dry bulk capacity of the Group's CABU and CLEANBU fleet in 2019 was booked on contracts of affreightment or on spot shipments. Earnings for 55% of the dry bulk capacity in 2019 were secured through fixed rate contracts of affreightment or through FFA contracts.

The CLEANBU concept is new and before the vessels start trading in the targeted clean petroleum products (CPP)-dry bulk combination trades, the vessels will be phased-in in other tanker trades. This is expected to impact earnings negatively during first half of 2019.

The force majeure situation at Norsk Hydro's Alunorte refinery in Brazil had negative impact on results in 2018. Continued Alunorte production on half capacity will continue to impact lifted caustic soda volumes and hence earnings on the CABU vessels going forward. Alunorte has received a suspension of the embargo on the new bauxite residue deposit area (DRS2). Permission from the federal court remains outstanding, hence the timing for when Alunorte will be back to full production remains uncertain.

Oslo, 5 February 2019

Lasse Krisfforsen Chairman of the Board	**Magne Øvreås** Board member	**Morten Skedsmo** Board member
Stephanie S. Wu Board member	**Engebret Dahm** Managing Director	**Lori Wheeler Næss** Board member

INCOME STATEMENT

Year ended 31 December

USD '000	Notes	2018	2017
Continuing operations			
Freight revenue	2, 5	84 284	-
Charter hire revenue	2, 5	17 540	46 235
Total revenues, vessels	4	**101 824**	**46 235**
Voyage expenses	2, 6	(45 431)	-
Net revenues from operations of vessels		**56 393**	**46 235**
Operating expenses, vessels	7	(21 599)	(21 199)
Group commercial and administrative services	19	(3 618)	(1 167)
Tonnage tax	20	(119)	(112)
Other operating and administrative expenses	8	(300)	(170)
Operating profit before depreciation		**30 757**	**23 587**
Ordinary depreciation	10	(16 840)	(16 867)
Operating profit after depreciation		**13 917**	**6 720**
Finance income	9	2 234	1 709
Finance costs	9	(7 374)	(5 331)
Profit before tax from continuing operations		**8 777**	**3 098**
Tax income/(expense)	20	59	(38)
Profit after tax from continuing operation		**8 836**	**3 060**
Profit after tax from discontinuing operations	3	-	(318)
Profit for the year		**8 836**	**2 742**
Attributable to:	-		
Equity holders of the parent company		7 978	1 768
Non-controlling interests	1	858	974
Total		**8 836**	**2 742**
Earnings per Share (EPS) from operations Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	17	**0.23**	**0.07**
Earnings per Share (EPS) from continuing operations Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	17	**0.23**	**0.08**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

USD '000	2018	2017
Profit/ (loss) of the period	**8 836**	**2 742**
Other comprehensive income to be reclassified to profit or loss		
Net movement fair value on interest rate swaps	368	(86)
Net movement fair value FX hedge	(35)	-
Net movement fair value bunker hedge	(918)	-
Net movement fair value FFA hedge	970	-
Income tax effect	-	
Net other comprehensive income to be reclassified to profit or loss	**385**	**(86)**
Other comprehensive income/(loss) for the period, net of tax	**385**	**(86)**
Total comprehensive income/(loss) for the period, net of tax	**9 221**	**2 655**
Attributable to:		
Equity holders of the parent company	8 029	1 724
Non-controlling interests	1 192	931
Total	**9 221**	**2 655**

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 Dec 2018	31 Dec 2017
Non-current assets			
Deferred tax asset	20	15	-
Vessels	10	167 037	179 785
Newbuilding contracts	11	59 877	37 751
Long-term receivables from related parties	19	-	13 788
Financial assets	15	1 855	912
Total non-current assets		**228 786**	**232 236**
Current assets			
Financial assets	15	464	-
Inventories	12	5 883	726
Trade receivables and other current assets	13	9 870	1 893
Receivables from related parties	19	594	7 638
Cash and cash equivalents	14	88 263	51 538
Total current assets		**105 074**	**61 795**
Total Assets		**333 859**	**294 032**

EQUITY AND LIABILITIES	Notes	31 Dec 2018	31 Dec 2017
Equity			
Share capital	17	4 863	
Share premium		92 271	48 997
Other reserves		51	-
Retained earnings		80 901	103 877
Equity attributable to equity holders of the parent		**178 086**	**152 873**
Non-controlling interests		-	20 441
Total equity		**178 086**	**173 315**
Non-current liabilities			
Mortgage debt	15	95 746	94 765
Long-term liabilities to related parties	15	36 000	-
Financial liabilities	15	450	1 509
Deferred tax liability	20	-	59
Total non-current liabilities		**132 196**	**96 333**
Current liabilities			
Short-term mortgage debt	15	12 200	20 549
Other interest bearing liabilities	15	2 172	-
Financial liabilities	15	918	-
Trade and other payables		7 601	2 959
Current debt to related parties	19	563	762
Tax liabilities	20	123	114
Total current liabilities		**23 577**	**24 384**
Total equity and liabilities		**333 859**	**294 032**

Oslo, 31 December 2018

Oslo, 5 February 2019

Lasse Kristoffersen
Chairman of the Board

Lori Wheeler Næss
Board member

Magne Øvreås
Board member

Morten Skedsmo
Board member

Engebret Dahm
Managing Director

Stephanie S. Wu
Board member

STATEMENT OF CHANGES IN EQUITY

(Figures in USD '000)	Share capital	Other paid in capital	Hedging reserve	Retained earnings	Total	Non--controlling interests	Total equity
	Attributable to equity holders of the parent						
Equity 1 January 2017	**-**	**48 997**	**-**	**123 969**	**172 966**	**14 331**	**187 296**
Profit (loss) for the period				1 768	1 768	974	2 742
Other comprehensive income for the period					-	(76)	(76)
Dividends to non-controlling interests					-	(1 346)	(1 346)
Capital increase					-	6 500	6 500
Group contribution				(21 818)	(21 818)	-	(21 818)
Other changes				(42)	(42)	58	16
Equity at 1 January 2018	**-**	**48 997**	**-**	**103 877**	**152 873**	**20 441**	**173 315**
Profit (loss) for the period				7 978	7 978	858	8 836
Other comprehensive income for the period			51		51	334	385
Bonus issue (establishement March 23, 2018)	142	(142)			-		
Capital reduction	(13)	(35 987)	-	-	(36 000)	-	(36 000)
Capital increase (April 30, 2018)	36	39 695	-	-	39 731	-	39 731
Acquisition of non-controlling interest (April 25, 2018)				(260)	(260)	(363)	(623)
Acquisition of non-controlling interest (April 30, 2018)				(6 947)	(6 947)	(20 775)	(27 723)
Group contribution				(23 746)	(23 746)	-	(23 746)
Dividends to non-controlling interests						(495)	(495)
Bonus issue	3 684	(3 684)	-	-	-	-	-
Capital increase (October 10, 2018)	1 014	43 393		-	44 407	-	44 407
Equity at 31 December 2018	**4 863**	**92 271**	**51**	**80 901**	**178 086**	**-**	**178 086**

Klaveness Combination Carriers AS ("KCC") was established March 23, 2018 as a 100 % subsidiary of Klaveness Ship Holding AS. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS ("KCCS", formerly T Klaveness Shipping AS) and KCC KBA AS (formerly Klaveness Bulk AS). The shares were valued at continuity as the transaction is considered a group reorganisation and not a business combination. As KCC was concluded to be a continuation of existing business and KCC has been presented as KCCS and KCC KBA have been part of the Group from the beginning of 2018 and in the comparative figures, the statement of changes in equity reflects this. Historical paid-in capital, retained earnings and non-controlling interests therefore reflect the historical financial statement of KCCS and KCC KBA. At the time of establishment, it was decided to carry out a capital reduction of in total USD 36 million, which is classified as a long term interest bearing loan from Klaveness Ship Holding AS per December 31, 2018. At the same date of the establishment, KCC Chartering AS ("KCCC", formerly Cabu Chartering AS) was sold from Rederiaksjeselskapet Torvald Klaveness to KCC at fair value. Refer note 1, Basis of preparation.

On April 25, 2018 KCCS bought 50 shares in Cabu V Investment Inc from Babar Shipping I and II AS, resulting in 100 % ownership. On April 30, 2018 KCCS bought the shares in Baffin Shipping AS, Ballard Shipping AS, Cabu VI Investment Inc, Banasol Inc and Banastar Inc from an affiliated company of Hundred Roses Company (HRC) and EGD Shipholding AS (EGD), resulting in 100 % ownership in said companies. The shares were settled by a promissory note (debt to the external partners). The promissory note was used as an injection of capital from HRC and EGD in KCC, in addition to cash injection of USD 12.0 million.

In October 2018 the Company succsessfully completed the private placement of common shares of USD 45 million (less transaction costs of USD 0.6 million), and issued 8 241 750 new shares at a subscription price of USD 5.46 per share. The Company's shares were tradable on N-OTC from 15 October 2018.

HEDGING RESERVE

The reserve contains financial instruments recognized to fair value with changes through OCI.

CASH FLOW STATEMENT

Year ended 31 December

USD '000	Notes	2018	2017
Profit before tax from continued operation		8 777	3 098
Profit before tax from discontinued operation		-	57
Tonnage tax expensed		119	112
Ordinary depreciation	10	16 840	16 867
Amortization of upfront fees bank loans		228	258
Financial derivatives unrealised loss / gain (-)	9	(1 163)	(518)
Interest income	9	(1 071)	(1 355)
Interest expenses	9	6 972	4 886
Taxes paid for the period		-	(73)
Change in receivables		(2 070)	(381)
Change in current liabilities		(1 782)	206
Interest received		1 071	1 355
A: Net cash flow from operating activities		**27 920**	**24 513**
Acquisition of tangible assets	10	(2 817)	(3 368)
Installments and other cost on newbuilding contracts	11	(22 126)	(40 188)
Acquisition of subsidiaries, net of cash		863	-
B: Net cash flow from investment activities		**(24 080)**	**(43 556)**
Proceeds from mortgage debt	15	-	36 890
Transaction costs on issuance of loans		-	(372)
Repayment of mortgage debt	15	(7 528)	(21 783)
Interest paid		(7 103)	(5 144)
Capital increase April 5, 2017		-	6 500
Capital increase April 30, 2018	17	12 000	-
Capital increase October 10, 2018	17	45 000	-
Transaction costs on capital increase		(581)	-
Payments made by increase of loans to related parties		-	216
Acquisition of non-controlling interests		(622)	-
Group contribution/dividend		(9 958)	(11 640)
Dividends to non-controlling interests		(495)	(1 346)
C: Net cash flow from financing activities		**30 713**	**3 322**
Net change in liquidity in the period (A + B + C)		34 552	(15 721)
Net foreign exchange difference		-	-
		34 552	**(15 721)**
Cash and cash equivalents at beginning of period		51 538	67 259
Cash and cash equivalents at end of period*	14	86 090	51 538
Net change in cash and cash equivalents in the period		**34 552**	**(15 721)**

* Cash and cash equivalents as per 31 December 2018 includes drawn amount on overdraft facility of USD 2.2 million. Undrawn amount on the overdraft facility is USD 5.8 million.

Notes


IMO 9308728
BAKKEDAL
MAJURO

01 Accounting policies

CORPORATE INFORMATION

These consolidated financial statements of Klaveness Combination Carriers and its subsidiaries (collectively referred to as "The Group") for the period ended 31 December 2018 was authorized by the Board of Directors on February 5, 2019. Klaveness Combination Carriers AS ("the Company") is a private limited company domiciled and incorporated in Norway.

The parent company has its headquarters and is registered in Drammensveien 260, 0283 Oslo. The Company was listed on N-OTC at October 15, 2018 (note 17). The parent company was established on March 23, 2018 as a 100 % subsidiary of Klaveness Ship Holding AS. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS (formerly T Klaveness Shipping AS) and KCC KBA AS (formerly Klaveness Bulk AS). The shares were valued at continuity as the transaction is considered a group reorganisation and not a business combination.

KCC Chartering AS (KCCC) was purchased from Rederiaksjeselskapet Torvald Klaveness by Klaveness Combination Carriers AS (KCC) on March 23, 2018. KCC Chartering has been consolidated from the acquisition date, which is when the Group obtained control. KCCC is a chartering company with the objective of obtaining best possible aggregated results for distribution to the vessel owners. KCCC only has participants (vessels) owned by subsidiaries of KCC. Prior to the acquisition, KCCC distributed its net revenue to the Group as variable time charter revenue. As such the acquisition has limited impact on net result of the consolidated income statement of KCC, but represents a material change in gross operating revenues, voyage expenses, inventories, trade receivables and trade payables. For the period before the acquisition, all net results were distributed to the vessel owners as hire presented as charter hire revenue in the consolidated accounts.

The objective of the Group is to provide transportation for drybulk, chemical and product tanker clients, as well as new investment and acquisition opportunities that fit the Group's existing business platform. The Group has nine CABU vessels, that have the capacity to transport caustic soda, floating fertilizers and molasses as well as all dry bulk commodities. In addition, the Group owns six CLEANBU newbuilding orders with estimated delivery between Q1-2019 and Q4-2020. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

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

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. The Company was established in March 2018, and has as a result not prepared annual financial statements previously. As described above, KCC was founded with the shares in KCC Shipowning AS (KCCS) and KCC KBA AS contributed as equity, and is considered a continuation of the underlying business in these entities. 2018 is therefore presented as if KCCS and KCC KBA AS had been owned from the beginning of the year, and in the comparable period for 2017.

KCC further acquired KCCC in a business combination in March 2018. This entity has been consolidated from the date of control on 23 March 2018, but as a practical approximation, it has been included in the consolidated numbers from 1 April 2018 (no restatement of comparables, or period prior to 1 April 2018). As the purpose of presenting a third balance sheet is to present transition adjustments, and KCC did not have any such (considering that KCC is accounted for as a continuation of the underlying business in KCCS and KBA, and these entities reported under IFRS also in 2017), no third balance sheet or reconciliation is presented.

Since the Group is a continuation of the business in KCC Shipowning AS and KCC KBA AS, and these historically have been prepared under IFRS, there are no IFRS 1 adjustments.

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

On April 25, 2018 KCCS bought 50 shares in Cabu V Investment Inc from Babar Shipping I and II AS (non-controlling interests), resulting in 100 % ownership. On April 30, 2018 KCCS bought the shares in Baffin Shipping AS, Ballard Shipping AS, Cabu VI Investment Inc, Banasol Inc and Banastar Inc (non-controlling interests) from an affiliated company of Hundred Roses Company (HRC) and EGD Shipholding AS (EGD), resulting in 100 % ownership in said companies. The transactions were carried out at fair value. The shares were settled by a promissory note (debt to the non-controlling interests). The promissory note was used as an injection of capital from HRC and EGD in KCC, in addition to cash injection of USD 12.0 million.

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

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated. The consolidated financial statements are based on historical cost, except for derivative financial instruments which are measured at fair value. The consolidated financial statements are prepared under the going concern assumption

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant estimates and assumptions

Management has made estimates and assumptions which have significant effect on the amounts 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 Carrier's financial position.

Carrying amount of vessels, depreciation and impairment

In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life may change due to change in technological developments, competition, environmental and legal requirements, freight rates and steel prices. Residual value is calculated based on current steel prices obtained for green scrapping.

When value in use calculations are performed, management estimates the expected future cash flows from the assets or cash-generating unit (defined in the section of "judgments") and determine a suitable discount rate in order to calculate the present value of those cash flows.

This will be based on management's evaluations, including estimating future performance, revenue generating capacity, and assumptions of future market conditions and appropriate discount rates. Changes in circumstances and management's evaluation and assumptions may give rise to impairment losses. While management believes that the estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the evaluations.

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

Impairments are reversed in a later period if recoverable amount exceeds carrying amount.

Judgments

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

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

Prior to 30 April 2018, the Group held 50 % ownership of Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS. The entities owned one vessel each; MV Banasol, MV Banastar, MV Baffin and MV Ballard respectively. Management has assessed the investments against control criterias in IFRS 10 whether the Group has rights to direct the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity. The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS which have been consolidated as subsidiaries into the Group's financial statements.

Impairment

The Group operates combination carrier vessels that can switch between dry and wet cargo. The CABUs have the same characteristics in respect of what cargo to transport, number of cargo holds and size of the vessel. All the CLEANBUs are identical vessels with same characteristics. CLEANBU vessels have higher 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. Contracts (CoA's) are not negotiated based on a specific vessel. It is the sum of vessel capacity at any time that determines the optimization of voyages. A portion of the voyages are also executed in the spot market, and the charterers are dependent on operating the vessels as a portfolio according to free capacity and available cargos.

The Group has defined the fleet of CABU and the fleet of CLEANBU, each as one cash generating units ("CGU"), due to the Group's operational strategy to manage each fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings of the entire Group.

Establishment of the Group

Klaveness Combination Carriers was founded with the shares in KCC Shipowning AS (KCCS) and KCC KBA AS contributed as equity. This contribution in kind has been considered by management as a group reorganization and not a business combination, as the newly established company (KCC) had no activity and hence does not constitute being a "business". Further, based on common control transactions being out of scope under IFRS, the pooling of interest method was used and the establishment has been considered as a continuation of the underlying business in these entities. Hence, the group reorganization by way of contribution in kind did not result in any changes to the carrying values of the vessels. KCC KBA AS had no activity as of March 23 2018.

Acquisition of shares in KCC Chartering

KCC acquired shares in KCC Chartering in March 2018. The transaction is considered to qualify as a business combination, as KCC Chartering in contrast to KCC (see above) has activity and is deemed to be a "business". For business combinations, including common control transactions, the Group apply the acquisition method in IFRS 3 with consolidation from time of acquisition. In the acquisition evaluation no material differences between fair and carrying values were identified, and the allocated value is therefore equal to book value (see note 2).

FUNCTIONAL AND PRESENTATION CURRENCY

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

FOREIGN CURRENCY TRANSACTIONS

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

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

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was USD/NOK 8.1347 in 2018 (2017: 8.2734). At 31 December 2018 an exchange rate of USD/NOK 8.6911 (2017: 8.2411) was used for the valuation of balance sheet items.

SEGMENT REPORTING

The operating segment are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker, who is responsible for allocating resources, making strategic decisions and assessing performance. The chief operating decision-maker has been identified as the board of the company. The CABU and the CLEANBU vessels are considered to be vessels with similar characteristics and will be operated to optimize the fleet as a whole.

The first CLEANBU vessel will generate revenue and costs when taken into operation from date of delivery in January 2019. The assessment of segment reporting will be reviewed on a continuous basis. As the financial statement is consistent with the internal financial reporting for the combination carriers segment and thus is equal to the Income Statement, Statement of Financial Position and Cash flow statement, no further disaggregation is provided.

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

REVENUE RECOGNITION

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

Contracts of affreightments

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

Revenue from contracts with customers is recognized 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. While this represents a change in the period over which revenue is recognized, the total voyage result recognized over all periods would not change (discharge-to-discharge prior to adoption of IFRS 15). The change in revenue recognition due to IFRS 15 resulted in USD 0.4 million less in revenue recognized as per 31 December 2018 compared to what would have been recognized for the period if the previous recognition principle had been applied. As the Group did not have any freight revenue in 2017, and the recognition of charter revenue has not changed as a result of IFRS 15, there was no implementation effect of IFRS 15 recorded against equity.

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

Time-charter agreements

The time charter revenue is generated from either variable time charter or fixed time charter contracts. Revenue from time charters are accounted for as operating leases under IAS 17 and is classified as charter hire revenue in the income statement. The Group's time charter contracts have a duration of 1-3 months.

Prior to acquisition of KCC Chartering AS (KCCC) (March 2018), revenue was distributed to the Group as charter hire from KCCC (classified as charter hire revenue) recognized in accordance with revenue recognition in KCC Chartering which is based on discharge-to-discharge basis (percentage of completion method). Charter revenue from KCCC has been recognized over time based on obtained charter day rate. Subsequent to the acquisition of KCCC, charter hire revenue has been eliminated in the consolidated financial statements of the Group, and from this date, the Group's revenue is reported on a gross basis and is split in gross revenue and voyage expenses.

Performance obligations

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

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

VOYAGE AND OPERATING EXPENSES

Prior to the acquisition of the charter company, freight revenue and voyage costs was distributed to the Group as charter hire (ref note 2). After acquisition of KCC Chartering, voyage expenses in the income statement for 2018 include bunkers cost, port costs and other voyage related expenses.

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

INCOME TAX

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

The parent company, KCC KBA AS and KCC Chartering AS is subject to ordinary Norwegian taxation. Tax expense comprise tax payable and deferred tax expense. Tax payable is measured at the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date.

Deferred tax assets are recognized to the extent that it is probable that they can be utilized in the future. Deferred tax liabilities/deferred tax assets within the same tax system that can be offset are recorded on a net basis. Income tax relating to items recognized directly in equity is included directly in equity and not in the statement of income.

Company tax in Norway is 23 % (24 % in 2017).

VESSELS, NEWBUILDINGS AND DOCKING

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

Depreciation of vessels

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

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

Newbuildings

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

Impairment of vessels and newbuildings

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

FAIR VALUE MEASUREMENT

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

Subsequent measurement

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

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

Financial assets at amortised cost

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

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

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.
Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

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

Loans and borrowings

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

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

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

Derecognition

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

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

As per 31 December 2018 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.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning 1 January 2018, 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 recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in profit and loss.

Amounts recognized as other comprehensive income are transferred to profit and loss when the hedged transaction affects profit and loss, such as when the hedged financial income or expense is recognized or when a forecast transaction occurs.
Derivative financial instruments that are designated as, and are effective hedging instruments are separated into a current and non-current portion consistent with the classification of the underlying item.

INVENTORIES
Fuel bunkers and lubricant oil on board vessels are recorded in the balance sheet at acquisition cost. Acquisition cost is based on FIFO (first in, first out principle). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognized if the net realizable value is lower than the cost price. Prior to acquisition of the chartering company (KCCC) in March 2018, inventory consisted mainly of lubricant oil.

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

EARNINGS PER SHARE
EPS are calculated by dividing the profit for the year from continuing operations and discontinued operation attributable to ordinary equity holders of the parent by weighted average number of ordinary shares outstanding during the year. For comparable figures, EPS is calculated based on number of shares at date for establishment of KCC.

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

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

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

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

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

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

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

CASH FLOW STATEMENTS
The cash flow statements are based on the indirect method.

STANDARDS, AMENDMENTS AND INTERPRETATIONS
The financial statements have been prepared based on standards, amendments and interpretations effective for 2018.

IFRS 15 Revenue from Contracts with Customers
The adoption of IFRS 15 has resulted in a change of method in recognizing revenue from voyage charters, whereby the method of determining the proportional performance has changed from discharge-to-discharge to load-to-discharge. As KCC Chartering AS was acquired as a subsidiary at end March 2018 the Group's results are not affected by first time adoption of the new standard (see further information above included in section for revenue recognition). IFRS 15 was implemented using the modified retrospective approach but due to reasons above did not have any impact on equity as per 1 January 2018.

The change in revenue recognition further resulted in USD 0.4 million less in revenue recognized end December 2018 compared to what would have been recognized for the period if the previous recognition principle had been applied. 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. While this represents a change in the period over which revenue is recognised, the total voyage result recognised over all periods would not change.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments became effective on 1 January 2018. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and addresses accounting for accounts receivable and losses. The accounting treatment on existing hedges will not have a material impact to the Group. The accounting documentation of hedges will be impacted and the group has updated the documentation accordingly.

Other changes to IFRS applicable from 1 January 2018 did not have an impact on the Group.

IASB has issued the following standards/amendments to the following standards that are not yet effective which may have an impact on these financial statements:

- IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 does not change substantially how a lessor accounts for lease. The main difference mainly relates to the accounts of the lessee. Given today's business, the new standard is not expected to have a material impact on the Group as the Group has used the practical expedient not to include lease agreements less than 12 months in the balance sheet. The Group does not have any lease agreements of more than 12 months today and therefore concludes that implementation will not have any material effect.
The Group has not early adopted the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant to the Group's annual accounting periods beginning on 1 January 2019 or later periods.

Other changes in IFRS mandatory from 1 January 2019 are not expected to have a material impact on the Group.

02 Business Combinations

ACQUISITION OF KCC CHARTERING AS

KCC Chartering AS (KCCC) was purchased from Rederiaskjeselskapet Torvald Klaveness by Klaveness Combination Carriers on March 23, 2018. The purchase price was USD 30 543. KCCC is a chartering company with the cabu vessels owned by the Group as the only employed vessels, and the primary reason for the acquisition is to consolidate all combination carrier activities in Klaveness Combination Carriers AS. Total result in KCCC is distributed to the vessel owners as hire (presented as charter hire revenue in Income Statement), and the Company's balance sheet mainly consist of working capital. The acquisition has been accounted for using the acquisition method. In the acquisition evaluation, there was not identified any material difference between fair value and book value, and thus allocated value is equal to book value. Refer table below.

The consolidated financial statements of Klaveness Combination Carriers AS include the results of KCC Chartering AS from March 23, 2018. This represent a material change in the freight revenues, voyage expenses, inventories, trade receivables and trade payables, although with limited impact on net result. From the date of the acquisition, KCCC has contributed USD 87.8 million of revenue and USD 46.7 million in voyage expenses. The net profit from KCCC as per December 31, 2018 is zero. If the acquisition had taken place at the beginning of the period, contribution from KCCC would be USD 114.4 million in revenue, USD 60.1 million in voyage expenses and net result zero.

(USD'000)	Fair value recognised on acquisition
Assets	
Cash	893
Trade receivables and other receivables	5 526
Inventories	5 627
Deferred tax assets	16
Total assets	**12 062**
Liabilities	
Trade payables	12 030
Total liabilities	**12 030**
Total identifiable net assets at fair value	**31**
Net cash acquired with the subsidiary	893
Cash paid	(31)
Net cash flow on acquisition	**862**

03 Discontinued Operations

The kamsarmax vessel, MV Bavang, was sold in October 2016 and delivered to the new owner in December 2016, hence some minor costs after the sale occurred in 2017. This is presented as profit/loss from discontinued operations as the sale of the vessel represent a completion of divestment of the dry bulk shipowning activities.

Earnings per share related to discontinued operations is 0 in all periods presented.

04 Segment Reporting

The CABU and the CLEANBU vessels are considered to be vessels with similar characteristics and will be operated to optimize the fleet as a whole. Based on the nature of the vessels, processes and type of customers it has been concluded that the Group has one segment and information on segment performance is found in the consolidated statements of income and financial position. As the financial statement is consistent with the internal financial reporting for the combination carriers segment and thus is equal to the Income Statement, Statement of Financial Position and Cash flow statement, no further disaggregation is provided.

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

05 Revenue from contracts with customers

DISAGGREGATED REVENUE INFORMATION

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

Revenue types (USD '000)	Classification	2018	2017
Revenue from COA contracts	Freight revenue	73 048	-
Revenue from spot voyages	Freight revenue	11 237	-
Revenue from TC contracts	Charter hire revenue	4 286	-
Revenue from TC contracts (KCC Chartering)	Charter hire revenue	13 253	46 235
Total revenue, vessels		**101 824**	**46 235**

The Group had three customers in 2018 that represented more than ten percent of operating revenue in the Group (USD 17.7 million, USD 10.7 million, USD 10.0 million respectively)

CONTRACT BALANCES

USD '000	2018	2017
Trade receivables from charterers (Note 13)	7 053	-
Contract assets (Note 13)	367	-
Contract liabilities	2 456	-

Contract balances relates to the chartering company KCC Chartering AS which was included in the Group as from end March 2018 (note 1). Contract assets is accrued income related to ongoing voyages (revenue recognised from load-to-discharge). Contract liabilities is prepaid revenue from customers.

PERFORMANCE OBLIGATIONS

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

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

06 Voyage expenses

USD '000	2018	2017
Freight expenses	13 390	-
T/C-hire	1 537	-
Voyage expenses	31 721	-
Fuel hedge settlement	(1 408)	-
Various expenses	192	-
Total voyage costs, vessels	**45 431**	**-**

Voyage costs occur from the end of March 2018 which is the date the Group acquired 100 % of the shares in KCC Chartering AS.

07 Operating Expenses

USD '000	2018	2017
Technical expenses	7 434	6 656
Crew costs	9 969	9 446
Insurance	1 646	1 836
Crewing agency fee to Klaveness Ship Management AS	769	663
Ship management fee to Klaveness Ship Management AS	2 020	1 807
IT fee to Klaveness Ship Managment AS	78	79
Other operating expenses	-	711
Total operating expenses	**21 599**	**21 199**

Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include sea personnel expenses such as wages, social costs, travel expenses and training. Costs related to technical management, maintenance and crewing services are recognised as operating expenses, see note 19 for transactions with related parties.

08 Other operating and administrative expenses

Remuneration to the auditor

USD '000	2018	2017
Statutory audit	78	63
Other assurance services	86	7
Tax advisory fee	-	-
Total	**164**	**70**

Auditor's fee are stated excluding VAT.

No remuneration was paid to the board of directors for 2018. The board's remuneration for the fiscal year 2019 was approved by the general meeting in January 2019 and will be USD 196k in total.

09 Finance income and finance costs

USD'000	2018	2017
Interest received from related parties	144	666
Other interest income	927	524
Fair value changes interest rate swaps	1 163	518
Total finance income	**2 234**	**1 709**

USD'000	2018	2017
Interest paid to related parties	1 605	-
Interest expenses mortgage debt	5 366	4 886
Amortization capitalized fee's mortgage debt	228	258
Other financial expenses	135	154
Gain / (loss) on foreign exchange	40	32
Total finance costs	**7 374**	**5 331**

Borrowing cost of USD 0.9 million was capitalized as newbuildings in 2018 (2017: USD 1.3 million). Refer to note 15 for further disclosures of the Group's financial assets and liabilities.

10 Vessels

The following tables provide the carrying amount of the Group's vessels at 31 Dec 2018 and 31 Dec 2017:

31 Dec 2018 (USD '000)	Combination carriers
Cost price 1.1	326 129
Adjustment acquisition value newbuildings delivered	2 515
Additions (mainly upgrading and docking of vessels)	1 574
Cost price 31.12	**330 218**
Acc. Depreciation 1.1	146 341
Depreciation for the period	16 840
Acc. Depreciation 31.12	**163 181**
Carrying amounts 31 Dec 2018*	**167 037**

*) carrying value of vessels includes dry-docking

31 Dec 2017 (USD '000)	Combination carriers
Cost price 1.1	288 327
Delivery of newbuildings	34 431
Additions (mainly upgrading and docking of vessels)	3 371
Cost price 31 Dec 2017	**326 129**
Acc. Depreciation 1.1	129 474
Depreciation for the year	16 867
Acc. depreciation 31 Dec 2017	**146 341**
Carrying amounts 31 Dec 2017*	**179 785**

*) carrying value of vessels includes dry-docking

No. of vessels	**9**
Useful life	**20**
Depreciation schedule	**Straight-line**

PLEDGED VESSELS

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

HOLD BACK AGREEMENT

When MV Ballard was delivered (May 2017), an amount of USD 4.0 million was witheld from the delivery installment. The yard was obligated to complete pending items related to the sister vessels MV Ballard, MV Balboa and MV Baffin due to vibration issues. All three new CABU vessels have finished the upgrades. In April 2018, a settlement agreement with the yard was reached. All costs related to the upgrade were covered by the hold back agreement. Total settled amount with the yard amounts to USD 3.4 million, of which USD 0.9 million was capitalised as vessels in 2017 and remaining USD 2.5 million was capitalised as vessel in 2018. Lost earnings and bunker consumption during offhire was compensated as part of the settlement agreement. An amount of USD 1.4 million in total was recognised as revenue included in total revenue vessels; USD 0.6 million in 2017 and USD 0.8 million in 2018

IMPAIRMENT ASSESSMENT

As per December 31, 2018, no impairment indicators are identified as the development in the underlying markets have strengthened. Further, the private placement of common shares described in note 17 at subscription price above book value of equity supports the evaluation of no impairment indicators.

11 Newbuildings

The Group has six combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2019 and 2020. The contracts include options for further vessels. The first vessel, MV Baru, was delivered 10 January 2019.

The Group has secured financing for the first three newbuildings. The owner, KCC Shipowning AS, is the borrower and the expected drawdown is USD 31 million per newbuilding. The loans mature in December 2023. Discussions with respect to financing the last three CLEANBU newbuildings are ongoing with existing banks and a limited number of other banks with positive initial feedback.

The following tables present the Group's investment in newbuildings as at 31 December 2018 and at 31 December 2017, respectively:

(USD '000)	2018	2017
Cost 1.1	37 751	31 995
Borrowing cost	867	1 254
Yard installments paid	19 151	37 281
Other capitalized cost	2 108	1 653
Delivery of newbuilings	-	(34 431)
Net carrying amount	**59 877**	**37 751**

CAPITAL COMMITMENTS

The yard commitments related to the six newbuildings are set out below.

Remaining installments at 31 December 2018 (USD '000)	2019	2020	Total
Combination carriers	120 240	102 300	222 540
Total commitments newbuildings	**120 240**	**102 300**	**222 540**

12 Inventories

(USD '000)	2018	2017
Bunkers	5 262	-
Luboil	621	726
Inventories	**5 883**	**726**

Inventories relates to bunkers and luboil on board vessels. Bunkers relates to the chartering company KCC Chartering AS which was included in the Group from 23 March 2018.

13 Trade receivables and other current assets

(USD '000)	2018	2017
Trade receivables from charterers	7 053	-
Accrued income	367	-
Prepaid expenses	1 677	923
Claims	618	103
Other short term receivables	155	866
Trade receivables and other current assets	**9 870**	**1 893**

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. Trade receivables and other current assets relates mainly to the chartering company KCC Chartering AS which was included in the Group as from end March 2018.

Claims consists of insurance claims for incidents and are expected to be settled within next year.

14 Cash and cash equivalents

The Group has bank deposits in the following currencies:

(USD '000)	2018	2017
Bank deposits, NOK	668	206
Bank deposits, USD	87 399	51 165
Cash	196	167
Total cash and cash equivalents	**88 263**	**51 538**

No cash is restricted (note 15).

15 Financial assets and financial liabilities

The below tables present the Group's financing arrangements as per 31 December 2018. All debt is denominated in USD. As a consequence of transferring the vessels from single purpose entities to KCC Shipowning AS (between subsidiaries in the Group) the existing bank facilities have been merged into two facilities with KCCS as borrower. The loan amount for the CABUs remain the same, hence no cash movements followed the restructuring of the loans.

The USD 100 million secured term loan facility with Nordea/Danske Bank has refinanced loans for the vessels MV Balboa, MV Baffin, MV Ballard, MV Barcarena, MV Bangor, MV Bantry and MV Bakkedal. The loan will be repaid in quarterly instalments and a balloon repayment on the maturity date in 2022.

The USD 105 million secured term loan facility with DNB/SEB has refinanced loans for the vessels MV Banasol and MV Banastar and the three newbuildings; MV Baru (delivered January 2019), MV Barracuda (expected delivery in March 2019) and MV Barramundi (expected delivery in April 2019). For the newbuildings bank financing represents close to 65% of contract price. The loan will be repaid in quarterly instalments and a balloon repayment on the maturity date for outstanding debt on the newbuilding tranches in 2023.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Balboa/Barcarena*	Nordea/Danske Bank	LIBOR + 2.0 %	March 2022	26 944
Nordea/Danske Facility	Term loan facility, USD 100 mill	LIBOR + 2.3 %	March 2022	69 419
DNB/SEB Facility	Term loan facility, USD 105 mill	LIBOR + 2.3 %	December 2023	12 000
Capitalized loan fees				(417)
Mortgage debt 31 December 2018				**107 946**

*Loan for MV Balboa and MV Barcarena was repaid in end January 2019 at the same time as proceeds from new loan facility was drawn.

(USD '000)	Fair value 31 Dec 2018	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017
Mortgage debt	96 163	96 163	95 343
Capitalized loan fees	-	(417)	(578)
Total mortgage debt, non-current	**96 163**	**95 746**	**94 765**
Mortgage debt, current	12 200	12 200	20 549
Total mortgage debt	**108 363**	**107 946**	**115 314**

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

At 31 December 2018 the Group has USD 93 million in undrawn bank financing (as part of the USD105 million DNB/SEB facility) committed to three newbuildings available on delivery of the vessels.

(USD '000) Non-current liabilities to related parties	Fair value 31 Dec 2018	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017
Intercompany interest bearing debt	36 000	36 000	-
Total long term liabilities to related parties	**36 000**	**36 000**	**-**

The long-term interest-bearing debt of USD 36 million is a loan from the majority shareholder Klaveness Ship Holding AS (unsecured). The loan matures in 2021 and the interest rate is 6.98 %. For fair value of the fixed rate loan from Klaveness Ship Holding AS the estimated value of the fixed rate portion of the interest rate has been estimated based on market swap interest rates at balance date which gives fair value equal to carrying value.

(USD '000) Other interest bearing liabilities	Fair value 31 Dec 2018	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017
Overdraft facility	2 172	2 172	-
Other interest bearing liabilities	**2 172**	**2 172**	**-**

The Group has entered into a overdraft facility pledged with receivables and bunkers inventory.

COVENANTS

As per year end 2018, the Group is in compliance with all financial covenants. Financial covenants on KCC Shipowning Group level relates to minimum equity (USD 110 million) and equity ratio (30%), minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net debt to operating profit (max 5x in 2018, no covenant in 2019, max 7x in 2020 and max 5x from 2021). In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

SECURITIES

As a security for the mortgage debt, the company has included a first priority security in all vessels and earnings accounts, and assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral and mortgaged assets (USD '000)	2018	2017
Vessels	167 037	179 785
Bunkers	5 262	-
Accounts receivables	7 053	-
Total book value of collateral and mortgaged assets	**179 353**	**179 785**

RISK MANAGEMENT ACTIVITIES

To reduce interest rate risk, the Group has entered into interest rate swaps. The Group holds interest rate swaps that qualify for hedge accounting. These instruments have combined notional value of USD 28.5 million and duration until 2022. Interest rate swaps qualifying for hedge accounting are recognised at fair value with changes through other comprehensive income. The Group also holds interest rate swaps and options recognised at fair value through profit and loss.

The Group has also entered into bunker fuel swaps and forward freight agreements (FFA) that qualify for hedge accounting. The Group use bunker fuel swaps to hedge a portion of its floating bunkers cost to a fixed cost for bunkers to reduce the Group's exposure to changes in bunkers prices. Similarly, the Group can use FFAs to fix freight rates in a future period to reduce its exposure to the dry bulk freight market (via open capacity and index linked COA commitments). As of 31 December 2018 the Group has entered into a currency hedge hedging a minor share of AUD denominated port costs.

Financial assets (USD '000)	2018	2017
Financial instruments at fair value through OCI		
Interest rate swaps	322	119
Forward freight agreements	970	-
Financial instruments at fair value through P&L		
Interest rate swaps	1 027	794
Financial assets	**2 319**	**912**
Total current	464	-
Total non-current	1 855	912

Financial liabilities (USD '000)	2018	2017
Financial instruments at fair value through OCI		
Interest rate swaps	-	167
FX hedge (AUD/USD)	38	-
Fuel hedge	918	-
Financial instruments at fair value through P&L		
Interest rate swaps	412	1 342
Financial liabilities	**1 368**	**1 509**
Total current	918	-
Total non-current	450	1 509

15 Financial assets and financial liabilities

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

USD'000	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017	Fair value 31 Dec 2018	Fair value 31 Dec 2017
Financial assets at fair value through OCI				
Interest rate swaps	322	118	322	118
Forward freight agreements	970	-	970	-
Financial assets at fair value through profit or loss				
Interest rate swaps	1 027	794	1 027	794
Total financial assets at fair value	**2 319**	**912**	**2 319**	**912**
Loans and receivables at amortised cost				
Other long-term receivables	-	-	-	-
Accounts receivable	7 053	-	7 053	-
Receivables from related parties	594	7 638	594	7 638
Total loans and receivables	**7 647**	**7 638**	**7 647**	**7 638**
Cash and cash equivalents	**88 263**	**51 538**	**88 263**	**51 538**
Total financial assets	**98 229**	**60 088**	**98 229**	**60 088**
Total current	96 374	59 176	96 374	59 176
Total non-current	1 855	912	1 855	912

USD'000	Carrying amount 31 Dec 2018	Carrying amount 31 Dec 2017	Fair value 31 Dec 2018	Fair value 31 Dec 2017
Financial liabilities at fair value through OCI				
Interest rate swaps	-	167	-	167
FX hedge (AUD/USD)	38	-	38	-
Fuel hedge	918	-	918	-
Financial liabilities at fair value through P&L				
Interest rate swaps	412	1 342	412	1 342
Total financial liabilities at fair value	**1 368**	**1 509**	**1 368**	**1 509**
Other financial liabilities at amortised cost				
Accounts payable	3 549	503	3 549	503
Interest bearing debt, non-current	95 746	94 765	96 163	95 343
Interest bearing debt, current	12 200	20 549	12 200	20 549
Overdraft facility	2 172	-	2 172	-
Interest bearing debt to group companies	36 000	-	36 000	-
Current debt to related parties	563	762	563	762
Total financial liabilities at amortised cost	**150 230**	**116 580**	**150 647**	**117 157**
Total financial liabilities	**151 598**	**118 089**	**152 015**	**118 666**
Total current	18 484	23 323	18 484	23 323
Total non-current	133 114	94 765	133 531	95 343

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognised at their carrying amounts largely due to the short term maturities of these instruments.

- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of derivatives are based on mark to market reports received from banks.

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 2018:

31 Dec 2018 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		1 027		**1 027**
Financial assets at fair value through OCI				
Interest rate swaps		322		**322**
Forward freight agreements		970		**970**

31 Dec 2018 Liabilities (USD'000)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Interest rate swaps		412		**412**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Interest bearing debt to group companies			36 000	**36 000**
Mortgage debt, non-current			96 163	**96 163**
Mortgage debt, current			12 200	**12 200**
Overdraft facility			2 172	**2 172**
Financial liabilities at fair value through OCI				
Fuel hedge derivatives		918		**918**
FX derivatives (AUD/USD)		38		**38**

31 Dec 2017 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		794		**794**
Financial assets at fair value through OCI				
Interest rate swaps		119		**119**

31 Dec 2017 Assets (USD'000)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Interest rate swaps		1342		**1342**
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt			210 080	**210 080**
Financial liabilities at fair value through OCI				
Interest rate swaps		167		**167**

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

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

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

15 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**	**Interest-bearing short-term debt**	**Interest-bearing long-term debt**	**Share capital/ premium/ reserve**	**Other equity**	**Non-controlling interests**	**Total**
Balance at 1 January 2018	**-**	**20 549**	**94 765**	**48 997**	**103 877**	**20 441**	**288 629**
Repayment of mortgage debt			-				-
Proceeds from mortgage debt			(7 528)				(7 528)
Interest paid	(7 103)						(7 103)
Capital increase (Apr) (net of transaction costs)				12 000			12 000
Capital increase (Oct) (net of transaction costs)				44 423			44 423
Group contribution					(9 958)		(9 958)
Dividends to non-controlling interests						(495)	(495)
Acquisition of non-controlling interests					(259)	(363)	(622)
Total changes from financing cash flow	**(7 103)**	**-**	**(7 528)**	**56 419**	**(10 217)**	**(858)**	**30 718**
Liability-related							
Expensed capitalised borrowing costs			160				160
Non-cash movement		(8 349)	8 349				-
Total liability-related changes		**(8 349)**	**8 509**				**160**
Total equity-related other changes				**(8 235)**	**(12 759)**	**(19 583)**	**(41 022)**
Balance at 31 December 2018		**12 200**	**95 746**	**97 185**	**80 901**	**-**	**278 929**

		Liabilities			Equity		Total
USD'000	**Interest payable**	**Interest-bearing short-term debt**	**Interest-bearing long-term debt**	**Share capital/ premium/ reserve**	**Other equity**	**Non-controlling interests**	**Total**
Balance at 1 January 2017		**19 818**	**80 574**	**48 997**	**123 966**	**14 330**	**287 685**
Repayment of mortgage debt			(21 783)				(21 783)
Proceeds from mortgage debt			36 890				
Interest paid							(5 144)
Group contribution					(21 818)		(21 818)
Dividends to non-controlling interests						(1 346)	(1 346)
Capital contributions						6 500	6 500
Total changes from financing cash flow		**-**	**15 107**	**-**	**(21 818)**	**5 154**	**(43 591)**
Liability-related							
Expensed capitalised borrowing costs			(185)				-185
Non-cash movement		731	(731)				-
Total liability-related changes		**731**	**(916)**				**-185**
Total equity-related other changes					**1 729**	**957**	**2 686**
Balance at 31 December 2017		**20 549**	**94 765**	**48 997**	**103 877**	**20 441**	**288 629**

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. Targets have been defined for equity ratio and minimum liquidity. The equity ratio as of 31 December 2018 was 53 % (2017: 59 %) and cash was USD 88.3 million. The Group's covenants are described in note 15.

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 is monitored to make sure that the company has the necessary financial strength to continue as a going concern.

The Group aims to spend free cash flows as follows:

- Repayment of net interest-bearing debt

- Distribution to the Group's shareholders by means of dividends.

- Investments in developing new and existing business.

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

FINANCIAL RISK

The Group is exposed to i.e. freight rate risk, bunker fuel price risk, as well as risks relating to foreign exchange, interest rate, counterparties (including credit), operations, technical, regulations and other risks. The Group's executive management oversees the management of these risks and is supported by a treasury and risk management department that provides risk advisory and maintain an appropriate financial risk governance framework for the Group (part of purchased services described in note 19). The risk department provides assurance to the executive management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

OPERATIONAL RISK

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

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

MARKET RISK

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

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

Year to date, the following bunkers quantities have been hedged (approx 10 % of estimated yearly bunkers consumption for the CABU vessels).

Fuel type	Quantity (2019)	Average price (2019)
SPO380 FOSS	5 250	366
RDM35FOSS	5 340	369
LS MGO	1 450	691
Total	**12 040**	

16 Financial Risk Management

FOREIGN CURRENCY RISK AND INTEREST RATE RISK

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

The Group has long term interest bearing debt that is exposed to floating interest rate. Long term mortgage debt bear interest at LIBOR plus an applicable margin. In order to hedge the risk, the company has entered into interest rate swaps. At 31 December 2018, 26 % of the floating interest loans are hedged. Included swaps booked as speculative instruments the ratio is 89 %. The Group evaluates on an ongoing basis the need to adjust interest rate exposure.

The table below shows estimated changes in profit before tax for the Group from changes in interest rates in 2018 and 2017, with all other variables held constant. The changes are estimated based on given capital structure as of year-end.

(USD '000)	Change in interest rate	2018	2017
USD LIBOR	+1,00%	119	599
	+0,50 %	60	299
	- 0,50%	(60)	(299)
	- 1,00%	(119)	(599)

COUNTERPARTY/CREDIT RISK

The performance of the Group depends on its counterparties' ability to perform their obligations under agreed contracts, a continued client need for the services performed by the combination carriers and KCC's ability to renew contracts with these clients. Default by a counterparty of its obligations under, mainly cargo customers (CoA's), may have material adverse consequences on the contract portfolio earnings. The counterparty's financial strength will thus be very important. The Group recognizes claims to the extent the Group has legal right to insurance coverage. As such, default by an insurance institution may have material financial consequences.

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

Total unrisked credit risk at 31 December 2018 amounts to USD 95.2 million (book value of receivables and bank deposits).

LIQUIDITY RISK

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

MATURITY PROFILE OF FINANCIAL LIABILITIES

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

Maturity profile financial liabilities 31 Dec 2018	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	19 670	41 139	100 781	-	161 589
Interest bearing debt to related parties	2 520	39 780	-	-	42 300
Other interest bearing liabilities	2 172	-	-	-	2 172
Trade and other payables	7 601	-	-	-	7 601
Current debt to related parties	563	-	-	-	563
	32 526	**80 919**	**100 781**	**-**	**214 225**

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

Maturity profile financial liabilities 31 Dec 2017	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	25 295	46 498	62 027		133 820
Accounts payable	503	-	-	-	503
Current debt to related parties	762	-	-	-	762
	26 561	**46 498**	**62 027**	**-**	**135 086**

17 Share capital, shareholders, dividends and reserves

Date	Number of shares	Adjusted for share split	Notional (NOK)	Share capital (NOK)	Share capital (USD)
Shares and share capital 23 March 2018	100 000	25 000 000	10	1 000 000	129 243
Shares issued 30 April 2018	129 081	32 270 250	10	1 290 810	165 583
Shares issued 10 September 2018	32 270 250	32 270 250	1	32 270 250	3 849 226
Shares issued 12 October 2018	40 512 000	40 512 000	1	40 512 000	4 863 196
Shares and share capital at 31 December 2018	**40 512 000**			**40 512 000**	**4 863 196**

All shares are issued and fully paid.
Dividends paid to non-controlling interests in 2018 is USD 495 000.

On 30 April 2018 the company carried out a direct subscription of shares to EGD Shipholding AS and Hundred Roses Corporation by issuance of new shares, increasing number of shares to 129 081. On 10 September 2018 the company carried out a share split in the ratio 1:250 and at the same time carried out a bonus issue that increased the par value to NOK 1.

In October 2018 the company successfully completed the private placement of common shares of USD 45 million, and issued 8 241 750 new shares at a subscription price of USD 5.46 per share. The Company's shares were tradable on N-OTC from 15 October 2018.

Earnings per Share (EPS) in Income Statement is calculated based on average number of shares for the period for 2018. For 2017 figures, the EPS is calculated based on the initial number of shares (25 000 000).

Largest shareholders at 31 December 2018	Ownership Number of shares	Ownership in %
Klaveness Ship Holding AS	25 661 750	63,3 %
EGD Shipholding AS	8 733 000	21,6 %
Hundred Roses Corporation	2 197 250	5,4 %
Goldman Sachs & Co. LLC (nominee)	915 750	2,3 %
Other	3 004 250	7,4 %
Total	**40 512 000**	**100 %**

The members of the Board and Managing Director that hold Shares of the Company are set out below.

Guarantee to	Position	Number of shares
Engebret Dahm	Managing Director	18 315 (held through E Dahm Invest AS)
Stephanie Wu	Board member	1 098 625 (held through 50 % share in Hundred Roses Corp.)
Morten Skedsmo	Board member	225
Magne Øvreås	Board member	Owns 8,5 % of EGD Shipholding AS which holds 8 733 000
Lasse Kristoffersen	Chairman of the Board	Owns 0.7% of Rederiaksjeselskapet Torvald Klaveness which holds 25661 750 shares through Klaveness Ship Holding AS.

18 Commitments and guarantees

CAPITAL COMMITMENTS

The Group has capital commitments related to borrowings and newbuildings. For information of maturity profile for mortgage debt, see note 16. Commitments related to newbuildings are presented in note 11. Available facilities is presented in note 15.

GUARANTEES

Below is a list of guarantees given at 31 December 2018.

Guarantee to	Description	Amount
BHP Billiton Marketing AG	AS Klaveness Chartering (affiliated company, not part of the KCC Group of companies) guarantees on behalf of KCC Chartering AS guarantees for COA commitments in the period 2010-2013 for transportation of caustic soda solution from ports in the far/middle east to ports in western Australia.	COA period is over, however claim can be placed until 6 years after last cargo.
Jiangsu New Yangzi Shipbuilding Co., Ltd	Klaveness Combination Carriers AS guarantees on behalf of KCC Shipowning AS (part of the KCC Group) to the yard for the 3rd and 4th installments for the shipbuilding contracts YZJ 2015-1226, YZJ 2015-1227 and YZJ 2015-1228.	USD 9.3 million per newbuilding + 5 % interest p.a.

19 Transactions with related parties

SERVICES

The ultimate owner of the Group is Rederiaksjeselskapet Torvald Klaveness (RASTK), which owns 100 % of the shares in Klaveness Ship Holding AS, which own 63.34 % of the shares in Klaveness Combination Carriers AS.

The Group has undertaken several agreements and transactions with related parties in the RASTK Group. The level of fees are based on cost + a margin in range 5% -10 % in accordance with the arm's length principle and OECDs guidelines.

Klaveness AS (affiliated company) delivers administrative and business management services (G&A) to the Group such as accounting, legal, IT services, rent and office services, management (CEO and CFO time). Fee related to CEO time amounts USD 400k in 2018. Commercial management services (Commercial management fee) covering chartering and operation are also purchased from Klaveness AS, as well as site supervision and project management services for the newbuildings (capitalized as part of newbuildings).

Technical management services for all vessels such as crewing, maintenance, repair, drydock supervision, supplies and provisioning, insurance, procurement of spares, IT and administration are purchased from Klaveness Ship Management AS (affiliated company). Technical management is based on a fixed fee p.a.

(USD '000) Commercial and administrative services	2018	2017
G&A fee to Klaveness AS	1 966	986
Commercial mangagement fee to Klaveness AS	1 349	-
Project management fee to Klaveness AS	107	181
Travel expenses reinvoiced from Klaveness AS	195	-
Group commercial and administrative services	**3 618**	**1 167**

Late March 2018 the Group acquired KCC Chartering AS (KCCC). Prior to the acquisition, all the Group's vessels were employed in the chartering company KCCC whereby net result in KCCC (gross freight revenue deducted for all voyage expenses including commercial management fee) was distributed to the Group as charter hire. Charter hire revenue from KCCC amounts USD 13.3 million in 2018 and USD 46.2 million in 2017 (note 4). Following the acquisition of KCCC, expenses from the chartering company are consolidated by the Group from the acquisition date, and as such commercial management fee for the chartering activities is an expense for the Group. The below table presents the development in commercial management fee charged to KCCC. The 2017 figures are not consolidated as KCCC was not part of the Group at that time. The 2018 figures below are included in the table above.

(USD '000)	2018	2017
Commercial management fee	1 349	1 765

(USD '000)	2018	2017
Technical management fee (reported as part of opex)	2 099	1 932
Supervision fee capitalised on newbuildings	1 937	1 421
Interest cost to related parties	1 605	-
Interest income from related parties	144	666
Total other transactions with related parties	**5 785**	**4 019**

PURCHASE AND SALE OF SHARES

A subsidiary in the Group purchased in March 2018 the remaining shares of Cabu V Investment Inc from the majority share holder of the ultimate owner RASTK. The purchase was based on fair value and in line with arm's length principle.

INTERCOMPANY BALANCES

(USD '000)	2018	2017
Klaveness Ship Holding AS	-	13 788
Long-term receivables from related parties	**-**	**13 788**
KCC Chartering AS*	-	7 533
Klaveness Ship Holding AS	-	33
AS Klaveness Chartering	494	-
Klaveness AS	100	
Klaveness Ship Management AS	-	72
Current receivables from related parties	**594**	**7 638**
Klaveness Ship Holding AS	36 000	-
Long-term liabilities to related parties	**36 000**	**-**
Klaveness AS	244	480
Klaveness Ship Holding AS	293	-
Klaveness Ship Management AS	25	49
KCC Chartering AS*	-	234
Current debt to related parties	**563**	**762**

*As KCC Chartering AS was acquired in 2018, the transactions are presented as related parties transactions as per 31 December 2017.

20 Taxes

TONNAGE TAX

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

ORDINARY TAXATION

Parent company (KCC) and the subsidiaries KCC KBA AS and KCC Chartering AS is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 23 % for 2018 (2017: 24%). Some companies in the Group are subject to taxation in Norway based on controlled foreign company (CFC) rules where tax is charged at the investor level. All of these companies are subject to the Norwegian tonnage tax regime and owned by a company subject for tonnage tax regime.

The parent company is a holding company with negative taxable income as per December 31, 2018. KCC KBA AS is currently without any activity, whereof deferred tax asset was written down to zero in 2017. KCC Chartering AS is a chartering company which distributes net profit to the shipowning companies. Deferred tax assets are only recognised to the extent that future utilization within the Group can be justified which is not probable as per December 31, 2018. Tax expense for 2018 is zero.

USD '000 Income taxes for the year	2018	2017
Income taxes payable	-	6
Change in deferred tax	(59)	32
Total tax expense / income (-) reported in the income statement	**(59)**	**38**
Tax on net (gain)/loss on revaluation of cash flow hedges	-	-
Deferred tax charged to OCI	**-**	**-**

USD '000 Tax payable	Income	2018 Tax effect	Income	2017 Tax effect
Profit / loss (-) before taxes, incl OCI	8 777	2 019	3 098	744
Income from shipping activity, tonnage tax system	(15 255)	(3 509)	(6 720)	(1 613)
Change in temporary differences	(85)	(20)	-	-
Limitation in interest deduction	1 351	311	-	-
Change in tax losses carried forward	5 243	1 206	1 613	387
Exchange rate differences	(31)	(7)	2 033	488
Tax payable in the balance sheet	**-**	**-**	**25**	**6**
Effective tax rate		0 %		0 %
Tonnage tax (included in operating profit)		123		114
Total tax payable in the balance sheet		**123**		**114**

USD '000 Temporary differences - ordinary taxation	Temporary difference	2018 Tax effect	Temporary difference	2017 Tax effect
Temporary differences	141	31	(317)	(72)
Tax losses carried forward	(10 362)	(2 280)	(2 667)	(613)
Deferred tax asset not recognised in the balance sheet	10 153	2 234	3 239	745
Net temporary differences - deferred tax liability/asset (-)	**(67)**	**(15)**	**256**	**59**
Deferred tax asset in balance sheet		**15**		**-**
Deferred tax liability in balance sheet		**-**		**59**

21 List of subsidiaries

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

Company name	Ownership interest per 31 Dec 2018	Ownership interest per 31 Dec 2017 [1]
KCC Shipowning AS (formely T. Klaveness Shipping AS)	100 %	100 %
KCC KBA AS (formely Klaveness Bulk AS)	100 %	100 %
KCC Chartering AS (formely Cabu Chartering AS)	100 %	0 %
Banasol Inc (Liberia) [2, 4]	100 %	50 %
Cabu Bangor Inc. (Liberia) [4]	100 %	100 %
Banastar Inc. (Liberia) [2, 4]	100 %	50 %
Cabu V Investment Inc. (Liberia) [2, 4]	100 %	95 %
Cabu VI Investment Inc. (Liberia) [2, 4]	100 %	81 %
Baffin Shipping AS [2, 3]	-	50 %
Ballard Shipping AS [2, 3]	-	50 %

1) KCC, the parent company was founded in March 2018. Group is presented as if KCC Shipowning AS and KCC KBA AS had been owned from the beginning of the year, and in the comparable period for 2017 (Note 1, basis of preparation).

2) In end April 2018 KCC Shipowning AS bought shares in Banasol Inc, Banastar Inc, Cabu V Investment Inc, Cabu VI Investment Inc, Baffin Shipping AS and Ballard Shipping AS from minority interests resulting in 100 % ownership in all subsidiaries. The transactions are further described below statement of changes in equity.

3) Baffin Shipping AS and Ballard Shipping AS were merged into KCC Shipowning AS in November and December 2018 with no effect on Group level (both 100 % owned at time of merger).

4) In November and December 2018, all the vessels previously owned by the single purpose entities were sold to KCC Shipowning AS. The reorganisation has no effect on Group level.

22 Events after the balance sheet date

The first CLEANBU vessel, MV Baru, was delivered from Jiangsu New Yangzi Shipbuilding at 10 January 2019.

Shares in Banasol Inc, Banastar Inc, Cabu Bangor Inc, Cabu V Investment Inc, Cabu VI Investment Inc was sold from KCC Shipowning AS to Klaveness AS (affiliated company) in January 2019. As part of making KCC Shipowning the owner of all combination carrier vessels in the Group (note 21), there was no activity in the single purpose companies as per sales date. All material assets and liabilites were sold or distributed as dividends/contribution in kind to KCCS in 2018, and share capital was reduced to USD 1 000 in all companies.

As a consequence of the consolidation of the combination carrier activities, and as a part of the preparation for a potential listing of KCC in Oslo, the NOK 300 million unsecured bond (KSH03 PRO) changed debitor from Klaveness Ship Holding AS (major shareholder of KCC, note 18) to Klaveness Combination Carrier AS in end January 2019. The bond loan will replace current loan to the shareholder of USD 36 million (note 15).

Useful life for the combination carrier vessels is reassessed on a yearly basis. One of the main caustic soda COA's was renewed in late 2018 for 3-5 years. Maximum vessel age has been increased from 20 to 25 years in this contract. Other COA customers have as well accepted (some formally and other unformally) age up to 25 years. Useful life is increased from 20 to 25 years as from 01.01.2019. The updated estimate is also supported by the vessels current condition and industry practice for tank and bulk carriers. Due to a decline in steel prices for demolition, the Group has adjusted the estimate for residual value down from 380 usd/mt to 325 usd/mt. The net effect of these changes in assumptions will decrease yearly depreciation for the CABU vessels of approx USD 6.4 million in 2019 compared to 2018.

It was decided to convert the Company to a public limited liability company (ASA) by the general meeting in January 2019 and the registration is planned to be completed in February 2019.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2018.

Klaveness Combination Carriers AS – Parent Company

INCOME STATEMENT

USD '000	Notes	23 March - 31 December 2018
Group administrative services	5	(810)
Other operating and administrative expenses	2	(150)
Operating profit		**(960)**
Finance income	5	229
Finance costs	5	(1 626)
Profit before tax		**(2 358)**
Income tax expenses	6	-
Profit after tax		**(2 358)**

COMPREHENSIVE INCOME STATEMENT

USD '000	Notes	23 March - 31 December 2018
Profit/ (loss) of the period		**(2 358)**
Other comprehensive income/(loss) for the period, net of tax		**-**
Total comprehensive income/(loss) for the period, net of tax		**(2 358)**

STATEMENT OF FINANCIAL POSITION

USD '000 Assets	Notes	31 Dec 2018
Non-current assets		
Investment in subsidiaries	3	218 115
Total non-current assets		**218 115**
Current assets		
Trade receivables and other current assets		115
Cash and cash equivalents	4	2 389
Total current assets		**2 503**
Total assets		**220 619**

USD '000 Assets	Notes	31 Dec 2018
Equity		
Share capital	Group 17	4 863
Share premium		181 530
Retained earnings		(2 358)
Equity attributable to equity holders of the parent		**184 036**
Non-current liabilities		
Long-term liabilities to related parties	5	36 000
Total non-current liabilities		**36 000**
Current liabilities		
Current debt to related parties	5	561
Trade and other payables		22
Total current liabilities		**583**
Total equity and liabilities		**220 619**

Oslo, 31 December 2018
Oslo, 5 February 2019

Lasse Krisfforsen
Chairman of the Board

Magne Øvreås
Board member

Morten Skedsmo
Board member

Stephanie S. Wu
Board member

Engebret Dahm
Managing Director

Lori Wheeler Næss
Board member

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent			
USD '000	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
Equity at March 23, 2018	**142**	**138 101**	**-**	**138 244**
Capital reduction	(13)	(35 987)	-	**(36 000)**
Capital increase (April 30, 2018)	36	39 695	-	**39 731**
Bonus issue	3 684	(3 684)		**-**
Capital increase (October 10, 2018)	1 014	43 405		**44 419**
Profit (loss) for the period			(2 358)	**(2 358)**
Other comprehensive income for the period			-	**-**
Equity at 31 December 2018	**4 863**	**181 530**	**(2 358)**	**184 036**

Klaveness Combination Carriers AS ("KCC") was established March 23, 2018 as a 100 % subsidiary of Klaveness Ship Holding AS. The establishment was carried out by contribution in kind of the shares in KCC Shipowning AS ("KCCS", formerly T Klaveness Shipping AS) and KCC KBA AS ("KBA", formerly Klaveness Bulk AS). The shares were valued at continuity as the transaction is considered a group reorganisation and not a business combination. As KCC was concluded to be a continuation of existing business and KCC has been presented as KCCS and KBA have been part of the Group from the beginning of 2018 and in the comparative figures, the statement of changes in equity reflects this. Historical paid-in capital, retained earnings and non-controlling interests therefore reflect the historical financial statement of KCCS and KBA. At the time of establishment, it was decided to carry out a capital reduction of in total USD 36 million, which is classified as a long term interest bearing loan from Klaveness Ship Holding AS per December 31, 2018. At the same date of the establishment, KCC Chartering AS ("KCCC", formerly Cabu Chartering AS) was sold from Rederiaksjeselskapet Torvald Klaveness to KCC at fair value. Refer note 1, Basis of preparation in the consolidated financial statement.

On April 25, 2018 KCCS bought 50 shares in Cabu V Investment Inc from Babar Shipping I and II AS, resulting in 100 % ownership. On April 30, 2018 KCCS bought the remaining shares in Baffin Shipping AS, Ballard Shipping AS, Cabu VI Investment, Inc, Banasol Inc and Banastar Inc from an affiliated company of Hundred Roses Company (HRC) and EGD Shipholding AS (EGD), resulting in 100 % ownership in said companies. The shares were settled by a promissory note (debt to the external partners). The promissory note was used as an injection of capital from HRC and EGD in KCC, in addition to cash injection of USD 12.0 million.

In October 2018 the Company succsessfully completed the private placement of common shares of USD 45 million, and issued 8 241 750 new shares at a subscription price of USD 5.46 per share. The Company's shares was tradable on N-OTC from 15 October 2018.

CASH FLOW STATEMENT

USD '000	Notes	23 March - 31 December 2018
Profit before tax		(2 358)
Interest income		(229)
Interest expenses		1 626
Change in current assets		(115)
Change in current liabilities		290
Change in other working capital		4
Interest received		119
A: Net cash flow from operating activities		**(662)**
Acquisition of susidiaries	3	(31)
Investment in subsidiaries		(52 000)
B: Net cash flow from investment activities		**(52 031)**
Capital increase (October 2018)	Group 17	45 000
Transaction costs on capital increase		(581)
Interest paid		(1 333)
Capital increase (April 2018)		11 997
C: Net cash flow from financing activities		**55 083**
Net change in liquidity in the period (A + B + C)		2 389
Net foreign exchange difference		-
		2 389
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	4	2 389
Net change in cash and cash equivalents in the period		**2 389**

Notes

01 Accounting policies

BASIS OF PREPARATION

Klaveness Combination Carriers AS ("parent company") is a private limited company domiciled and incorporated in Norway. The parent company has headquarter and is registered in Drammensveien 260, 0212 Oslo. Klaveness Combination Carriers AS was established March 23 2018. The shares were listed on N-OTC at October 15, 2018.
The financial statements as per 31 December 2018 of Klaveness Combination Carriers AS (referred to as the Company/the parent company) have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

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

The main activity of the company is to be a holding company of combination carrier business.

DIVIDEND INCOME/GROUP CONTRIBUTION

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

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

SHARES IN SUBSIDIARIES

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

USE OF ESTIMATES

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

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

02 Operating expenses

(USD '000)	2018
Statutory audit	12
Other assurance services from auditor	62
Total	**74**

03 Investment in subsidiaries

(USD '000)	Business office, country	Voting share/ ownership	31 Dec 2018
KCC Chartering AS	Oslo, Norway	100 %	31
KCC Shipowning AS	Oslo, Norway	100 %	217 519
KCC KBA AS	Oslo, Norway	100 %	566
Investment in subsidiaries			**218 115**

Investments in subsidiaries are recorded at costs. Impairments are recognised if the fair value of equity is lower than book value of the shares. The shares of KCC Shipowning AS and KCC KBA AS were transferred as contribution in kind from Klaveness Ship Holding AS. The shares were valued at continuity as the transaction is considered a group reorganisation and not a business combination. Further a capital increase of USD 79.8 million was proceeded in KCC Shipowning AS. KCC Chartering AS was sold from Rederiaksjeselskapet Torvald Klaveness to Klaveness Combination Carriers AS at fair value.

04 Cash and cash equivalents

The company has bank deposits in the following currencies:

(USD '000)	2018
Bank deposits, USD	2 155
Bank deposits, NOK	234
Total cash and cash equivalents	**2 389**

The company has no restricted bank deposits.

05 Transactions with related parties

The company has undertaken service agreements with Klaveness AS (affiliated company). The level of fees are based on cost + a margin in range 5% -10 % in accordance with the arm's length principle and OECDs guidelines. Klaveness AS delivers administrative and business management services (G&A) to the company such as accounting, legal, IT services, rent and office services, management (CEO and CFO time).

Supplier	Type of agreement	Amount
Klaveness AS	Administrative services & business management	(810)
Klaveness Ship Holding AS	Interest cost loan agreement	(1 606)
Shipowning single purpose companies	Interest income promissory note	109

(USD '000) Non-current intercompany	Fair value 31 Dec 2018	Carrying amount 31 Dec 2018
Intercompany interest bearing debt (Klaveness Ship Holding AS)	36 000	36 000
Total	**36 000**	**36 000**

The long term interest bearing debt of USD 36 million is a loan from the parent company Klaveness Ship Holding AS. The loan has a tenor of three years, and the interest rate is 6,98 % based on arm's length principle. Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial. Fair value is not based on observable market data (fair value hierarchy level 3). For fair value of the fixed rate loan from Klaveness Ship Holding AS the estimated value of the fixed rate portion of the interest rate has been added based on market swap interest rates at balance date.

(USD '000) Current intercompany	Carrying amount 31 Dec 2018
Current intercompany (Klaveness AS)	228
Current intercompany (KCC Shipowning AS)	40
Accrued interest on intercompany loan (Klaveness Ship Holding AS)	293
Current debt to related parties	**561**

06 Tax

The company is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 23 % for 2018. The company is a holding company with negative taxable income as per year end 2018. Deferred tax assets are only recognised to the extent that future utilization can be justified which is not probable as per 31 December 2018. Tax expense for 2018 is zero.

(USD '000) Income taxes for the year	2018
Tax payable	-
Change in deferred tax / deferred tax asset	-
Total tax expense / income (-) reported in the income statement	**-**
Tax on net (gain)/loss on cash flow hedges	-
Deferred tax charged to OCI	**-**

(USD '000) Tax payable	Income	2018 Tax effect
Profit / loss (-) before taxes, incl OCI	(2 358)	(542)
Limitation in interest deduction	1 351	311
Change in tax losses carried forward	3 444	792
Exchange rate differences	(2 437)	(561)
Tax payable in the balance sheet	**-**	**-**
Effective tax rate		

(USD '000) Temporary differences - ordinary taxation	Temporary difference	2018 Tax effect
Intercepted interest carry forward	(1 351)	(297)
Tax losses carried forward	(3 444)	(758)
Deferred tax asset not recognised in the balance sheet	4 795	1 055
Net temporary differences - deferred tax liability/asset (-)	**-**	**-**
Deferred tax asset/liability in balance sheet	**-**	**-**

07 Events after the balance sheet date

As a consequence of the consolidation of the combination carrier activities, and as a part of the preparation for a potential listing of KCC in Oslo, the NOK 300 million unsecured bond (KSH03 PRO) changed debitor from Klaveness Ship Holding AS (major shareholder of KCC, Group note 17) to Klaveness Combination Carrier AS in January 2019. The bond loan will replace current shareholder loan of USD 36 million (note 5).

It was decided to convert the Company to a public limited liability company (ASA) by the general meeting in January 2019 and the registration is planned to be completed in February 2019.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2018.

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Klaveness Combination Carriers AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Klaveness Combination Carriers AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheets as at 31 December 2018, the income statements, statements of comprehensive income, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2018 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Building a better working world

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

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Opinion on registration and documentation

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

Oslo, 5 February 2019
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements for the period 1 January to 31 December 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and give a true and fair view of the company's assets, liabilities, financial position and profit. We also confirm, to the best of our knowledge, that the management report includes a fair review of important events that have occurred during the financial year and their impact on the consolidated financial statements of Klaveness Combination Carriers AS, and a description of the principal risks and uncertainties for 2019.

Vækerø, 5 February 2019

Lasse Kristoffersen	Magne Øvreås
Chairman of the Board	Board member
Morten Skedsmo	Lori Wheeler Næss
Board member	Board member
Stephanie Sanvy Wu	Engebret Dahm
Board member	Managing Director

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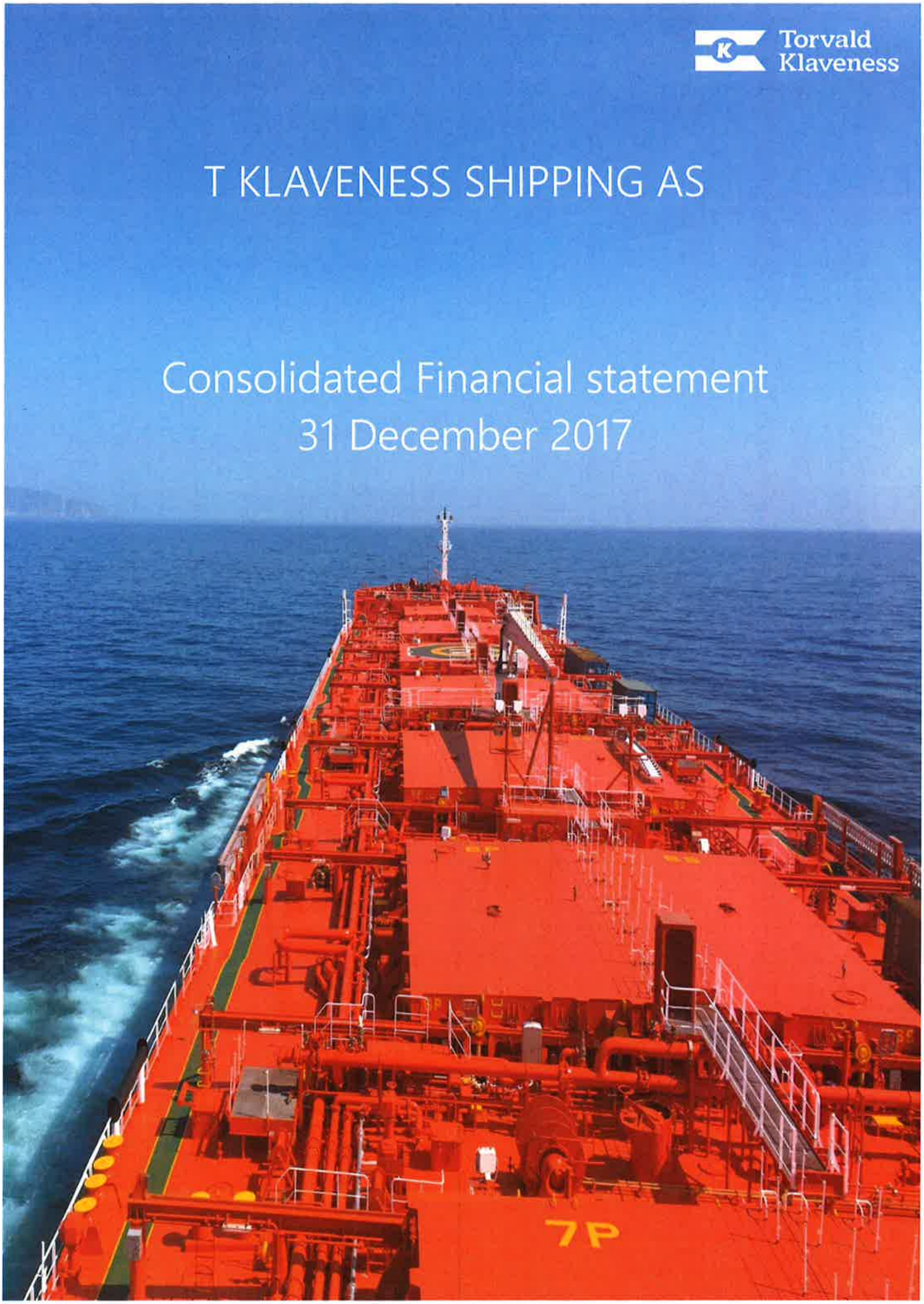
APPENDIX C:

CONSOLIDATED FINANCIAL STATEMENTS FOR KCC SHIPOWNING AS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 31 DECEMBER 2016

Torvald Klaveness

T KLAVENESS SHIPPING AS

Consolidated Financial statement
31 December 2017



T. KLAVENESS SHIPPING AS CONSOLIDATED

BOARD OF DIRECTOR'S REPORT 2017

T. Klaveness Shipping AS (the Company) was incorporated 1 January 1992 and is fully owned by Klaveness Ship Holding AS. T. Klaveness Shipping AS is located in Oslo, Norway. The Company's main activity is shipping investments in specialized dry bulk vessels and in companies which own such vessels. The consolidated financial statement of the Company as at year end 31 December 2017 comprises the Company and its subsidiaries (the Group).

The five selfunloader vessels were delivered to the new owners in January 2016. A gain of USD 26.2 million was recognized in 2016. The selfunloader segment is presented as discontinued operations in 2016.

The Group took delivery of the third and last combination carrier newbuilding from Zheijaing Ouhua Shipbuilding Co. Ltd in China in May 2017, whereof EGD Shipholding AS owns 50 per cent. By the end of 2017, the Group comprised three combination carrier vessels and three newbuildings, and had interests in further six combination carrier vessels through fully or partly owned subsidiaries.

The combination carrier vessels are exposed to the clean product tanker market as the main competition on caustic soda COAs and spot cargoes come from standard MR-tankers. In addition, one of the main caustic soda COAs is index linked. The product tanker market was overall weaker in 2017 compared to 2016, especially for the larger product tankers as an effect of the increase in supply of the LR2 fleet. During 2017, the LR2 segment saw a capacity increase by 10 per cent, while the MR and LR1 fleets grew at only half that pace. The result was a gradually decreasing market during 2016, and a relatively flat and weak product tanker market through 2017. A strengthening of the dry bulk market had a positive effect on the pool results in 2017. Average one year TC rates for these three segments were around 13,000 USD/d for 2017.

The vessels owned directly or indirectly by the Group, are all under the technical management of Klaveness Ship Management AS. To meet the requirements related to safety and environment as well as to prevent pollution, significant resources are being used on quality- and risk management. All vessels are operated under the principles for quality control in accordance with the ISM code.

The vessels owned by the Group are sailing in the CABU Chartering pool covering chartering and vessel operation. In addition to operating according to technical precautions established in ISM and MARPOL to protect the environment, the pool seeks to reduce the burden on the environment by increasing the efficiency of transport and reducing ballast voyages.

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

The Board of Directors confirms that the financial accounts have been prepared under a going concern assumption. Based on market expectations and the actual result for the first months of the year, a positive result is also expected for the Group in 2018. There have been no major transactions or events subsequent to the closing date that would have a negative impact on the evaluation of the financial position of T. Klaveness Shipping AS.

Net result and financial position for T. Klaveness Shipping AS consolidated

Operating revenue from continuing operations for 2017 was USD 46.2 million (2016: USD 41.3 million) and operating costs in total amounted to USD 22.7 million (2016: USD 18.2 million). EBITDA was USD 23.6 million for 2017, in line with EBITDA of USD 23.2 million for 2016. Net financial items were negative by USD 3.6 million in 2017 (2016: negative USD 1.6 million). Interest expenses on mortgage debt (USD 5.1 million) have increased compared to last year (USD 2.0 million) due to loan for new vessels delivered and accrued interest expenses on interest rate swaps. Net profit after tax from continuing operations was USD 3.1 million for 2017, down from USD 9.0 million for 2016. The 2017 net profit after tax is impacted by higher depreciation costs and higher finance cost than 2016 result.

Profit from discontinued operations amounts to USD 26.7 million for 2016 and comprise a profit from the sale of five selfunloader vessels of USD 26.2 million.

USD 1.0 million (2016: USD 1.8 million) of total profit after tax is attributable to non-controlling interests related to external investors in some of the shipowning companies.

Total assets increased by USD 11.9 million in 2017 from USD 281.5 million at year end 2016 to USD 293.5 million. Main reason for the increase is the delivery of the newbuilding.

Cash and bank deposits were USD 51.0 million by the end of 2017, down from USD 64.9 million at year end 2016. The cash flow from operating activities was USD 24.5 million in 2017 (2016: USD 25.5 million), while cash flow from investing activities was negative USD 42.3 million (2016: USD 107.7 million). The latter consists mainly of installments and cost on newbuilding contracts and upgrading of existing vessels. The cash flow from financing activities was USD 3.9 million (2016: negative USD 139.9 million) and comprises net drawdown on new loan facilities in 2017, repayment of mortgage debt including interests, and distributions to the shareholders. Interest-bearing debt increased by approx. USD 14.9 million during 2017 and amounted to USD 115.3 million at year end 2017.

As of 31.12.17 the equity amounts to USD 172.8 million (2016: 175.5 million) whereof USD 20.4 million (2016: USD 14.3 million) is minority share. Total equity decreased by USD 2.7 million in 2017. Total comprehensive income was positive USD 3.0 million and net payments from non-controlling interests USD 5.2 million. The book equity ratio (including non-controlling interests) at year end 2017 was 59 % (2016: 62 %).

Net result and financial position for T. Klaveness Shipping AS (the parent company)

Operational revenue in the parent company increased from USD 8.3 million in 2016 to USD 11.0 million in 2017 due to one more vessel in operation in 2017.

Operating profit is USD 0.7 million (2016: operating loss of USD 3.9 million). 2016 result was affected by an impairment of MV Barcarena of USD 3.0 million, no impairments recognised in 2017. The result of financial items is USD 1.7 million and comprises dividends from investment in subsidiaries of USD 1.9 million in 2017.

The net profit after tax is USD 2.3 million in 2017 (2016: USD 41.4 million included profit from discontinued operations of USD 26.7 million).

T. Klaveness Shipping AS statutory balance sheet amounts to USD 191.5 million at year end 2017. Total assets have decreased by USD 11.5 million mainly due to group contribution.

Interest bearing debt has decreased from USD 32.3 million in 2016 to USD 29.5 million in 2016, mainly due repayment of debt (installments).

Total equity decreased by USD 8.6 million in 2017. Total comprehensive income was positive USD 2.3 million and group contribution paid amounted to USD 10.9 million. The book equity ratio by year end 2017 was 83 % (2016: 83 %).

Net operating cash flow from the parent company was positive of USD 8.8 million in 2017 (2016: USD 7.1 million). Net cash flow from investing activities was negative USD 5.2 million (2016: positive USD 166.0 million), mainly due USD 21.6 million in payments for vessels under construction. The cash flow from financing activities was negative USD 22.0 million and comprises repayment on loan installments of USD 2.7 million, capital to subsidiaries of USD 6.5 million and distributions to the shareholder and group contribution of in total USD 10.9 million. The company will pay group contributions of USD 24 million to the parent company Klaveness Ship Holding AS based on the 2017 results.

The Board of Directors of T. Klaveness Shipping AS

~~Oslo, 31 December 2017~~
21 March 2018

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board Member

Morten Skedsmo
Board Member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Consolidated Income Statement

USD '000	Note	2017	2016
		Year ended 31 December	
Continuing operations			
Operating revenue, vessels		46 235	41 026
Gain from sale of fixed assets		-	300
Total operating revenue		**46 235**	**41 326**
Operating expenses, vessels	Note 2	(21 199)	(16 639)
Loss from sale of assets		(68)	(71)
Group administrative services	Note 18	(1 167)	(1 333)
Tonnage tax		(112)	(81)
Other operating and administrative expenses	Note 3	(102)	(48)
EBITDA		**23 587**	**23 155**
Ordinary depreciation	Note 6	(16 867)	(12 812)
Impairment loss (-) / reversal		-	(194)
EBIT		**6 720**	**10 149**
Finance income	Note 4	1 159	1 910
Finance costs	Note 4	(4 781)	(3 465)
Profit before tax from continuing operations		**3 098**	**8 594**
Income tax expenses	Note 5	(38)	449
Profit after tax from continuing operations		**3 060**	**9 043**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations		-	26 727
Profit for the year		**3 060**	**35 769**
Attributable to:			
Equity holders of the parent company		2 086	33 984
Non-controlling interests		974	1 785
Total		**3 060**	**35 769**

T Klaveness Shipping AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2017	2016
Net profit/ (loss)		**3 060**	**35 769**
Other comprehensive income to be reclassified to profit or loss		-	-
Net movement fair value on interest rate swaps		(49)	
Net movement fair value on cross-currency interest rate swap		-	
Reclassification to profit and loss			
Income tax effect		(27)	
Net other comprehensive income to be reclassified to profit or loss		-	
Other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		**(76)**	**-**
Total comprehensive income/(loss) for the period, net of tax		**2 984**	**35 769**
Attributable to:			
Equity holders of the parent company		2 010	33 984
Non-controlling interests		974	1 785
Total		**2 984**	**35 769**

T Klaveness Shipping AS

Statement of Financial Position

USD '000	Note	As at 31 December 2017	2016
ASSETS			
Non-current assets			
Vessels	Note 7	179 785	158 852
Newbuilding contracts	Note 8, 13	37 751	31 995
Long-term receivables from related parties		13 784	15 000
Financial assets	Note 11	912	1 052
Total non-current assets		**232 233**	**206 898**
Current assets			
Inventories		726	659
Receivables from related parties	Note 9	7 564	6 491
Other short-term receivables	Note 9	1 967	2 572
Cash and cash equivalents	Note 10	50 976	64 908
Total current assets		**61 233**	**74 631**
TOTAL ASSETS		**293 466**	**281 530**

T Klaveness Shipping AS

Statement of Financial Position

USD '000	Note	As at 31 December 2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 17	190	190
Share premium		41 608	41 608
Other paid-in capital		-	-
Retained earnings		110 510	119 339
Equity attributable to equity holders of the parent		**152 308**	**161 137**
Non-controlling interests		20 441	14 330
Total equity		**172 749**	**175 467**
Non-current liabilities			
Deferred tax liability	Note 6	59	-
Mortgage debt	Note 13, 14	94 765	80 574
Financial liabilities	Note 11	1 509	2 117
Total non-current liabilities		**96 333**	**82 691**
Current liabilities			
Short-term mortgage debt	Note 13, 14	20 549	19 818
Accounts payable		503	360
Current debt to related parties	Note 16	762	910
Tax payable	Note 6	6	-
Tonnage tax payable	Note 6	108	73
Other current liabilities	Note 16	2 454	2 210
Total current liabilities		**24 383**	**23 372**
TOTAL EQUITY AND LIABILITIES		**293 466**	**281 530**

Oslo, 31 December 2017

Oslo, 21 March 2018

Lasse Kristoffersen
Chairman of the Board

Morten Skedsmo
Board member

Liv Hege Dyrnes
Board member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						
	Share capital	Share premium	Other paid in capital	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2016	**227**	**52 043**	**9**	**206 632**	**258 911**	**10 894**	**269 805**
Profit (loss) for the year				33 984	33 984	1 785	35 769
Other comprehensive income for the year			-		-		-
Total comprehensive income for the year				**33 984**	**33 984**	**1 785**	**35 769**
Payments to non-controlling interests					-	(4 849)	(4 849)
Capital contributions from non-controlling interests						6 500	
Capital decrease	(37)			(79 963)	(80 000)		(80 000)
Group contribution		(10 435)	(9)	(41 192)	(51 636)		(51 636)
Adjustment prior year				(122)	(122)		(122)
Equity at 31 December 2016	**190**	**41 608**	**0**	**119 339**	**161 138**	**14 330**	**175 467**
Profit (loss) for the year				2 086	2 086	974	3 060
Other comprehensive income for the year					-	(76)	(76)
Total comprehensive income for the year				**2 086**	**2 086**	**898**	**2 984**
Payments to non-controlling interests					-	(1 346)	(1 346)
Capital contributions from non-controlling interests					-	6 500	6 500
Group contribution				(10 876)	(10 876)		(10 876)
Adjustment prior year				(39)	(39)	59	21
Equity at 31 December 2017	**190**	**41 608**	**0**	**110 510**	**152 308**	**20 441**	**172 749**

T Klaveness Shipping AS

Consolidated Statement of Cash Flows

USD '000	Note	2017	2016
Profit before tax from continuing operations		3 098	8 594
Profit before tax from discontinuing operations		-	26 727
Profit before tax		3 098	35 321
Tonnage tax expensed		112	81
Net gain/loss fixed assets		68	(26 469)
Ordinary depreciation	Note 6	16 867	12 812
Impairment loss/ reversal	Note 6	-	194
Amortization of upfront fees bank loans		258	233
Gain / (loss) on foreign exchange		-	-
Financial derivatives unrealised loss / gain (-)		(518)	(721)
Interest income		(525)	(641)
Interest expenses		5 144	2 098
Taxes paid for the period		(73)	(1 528)
Change in receivables		(534)	6 373
Change in current liabilities		239	(3 325)
Change in other working capital		(119)	592
Change in financial assets			(182)
Interest received		525	641
A: Net cash flow from operating activities		**24 543**	**25 479**
Acquisition of tangible assets	Note 6	(3 371)	(2 638)
Installments and cost on newbuilding contracts	Note 7	(40 188)	(64 647)
Payment received disposal of vessels		-	190 000
Payments made by increase of loans to related parties		1 216	(15 000)
B: Net cash flow from investment activities		**(42 343)**	**107 715**
Proceeds from borrowings		36 890	63 985
Transaction costs on issuance of loans		(372)	(124)
Repayment of borrowings		(21 783)	(81 733)
Group contribution		(10 876)	(41 594)
Interest paid		(5 144)	(2 098)
Capital decrease			(80 000)
Capital injection from non-controlling interests		6 500	6 500
Dividends to non-controlling interests		(1 346)	(4 849)
C: Net cash flow from financing activities		**3 869**	**(139 913)**
Net change in liquidity in the period (A + B + C)		(13 931)	(6 720)
Net foreign exchange difference		-	-
Net change in liquidity in the period		**(13 932)**	**(6 720)**
Cash and cash equivalents at beginning of period		64 908	71 628
Cash and cash equivalents at end of period	Note 9	50 976	64 908
Net change in cash and cash equivalents in the period		**(13 932)**	**(6 720)**
Undrawn facilities*	Note 13	93 000	121 000

* Includes committed but undrawn part of loans for the vessels under construction.

CORPORATE INFORMATION

T Klaveness Shipping AS ("parent company"/TKS) is a private limited company domiciled and incorporated in Norway. The parent company is headquartered and is registered in Drammensveien 260, 0212 Oslo. The parent company's consolidated accounts for the fiscal year 2017 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

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

The consolidated financial statements for T Klaveness Shipping AS for the fiscal year 2017 are approved in the board meeting at 21 March 2018.

BASIS OF PREPARATION

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was USD/NOK 8.2734 in 2017 (2016: 8.4044). At year-end 2017, an exchange rate of USD/NOK 8.2411 (2016: 8.6456) was used for the valuation of balance sheet items.

CONSOLIDATION POLICIES

Subsidiaries

The Group's consolidated financial statements comprise T Klaveness Shipping AS (TKS) and companies in which TKS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements are capable of exercising control over the company. Non-controlling interests are included in the Group's equity.

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

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

Common control transactions

Transactions between entities that are ultimately controlled by the same party are accounted for as common control transactions, excluded from the scope of IFRS 3 Business Combinations. Common control transactions are accounted for based on the pooling of interest method, with continuity on carrying amounts. Comparable figures are adjusted to reflect such structural changes.

Non-controlling interests

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant estimates and assumptions

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

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on T Klaveness Shipping's financial position

Carrying amount of vessels, depreciation and impairment

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

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

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

The recognition of deferred tax assets

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

Judgments

In the process of applying T Klaveness Shipping's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements.

Impairment

The Group has defined the fleet of combination carriers as one cash generating unit ("CGU"), due to the Group's operational strategy to manage the fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings for the entire Group.

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

The Group owns 50 % of Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS. The remaining shares are owned by one shareholder; Veronica Co Ltd (Banasol and Banastar) and EGD Shipholding AS (Baffin and Ballard). The entities own one vessel each; MV Banasol, MV Banastar, MV Baffin and MV Ballard. Management has assessed the investments against control criteria in IFRS 10 whether the Group has rights to direct the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity. The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS which have been consolidated as subsidiaries into the Group's financial statements.

REVENUE RECOGNITION

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

The Group's shipowning companies

The Group's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies. Vessels owned by the Group are operated as participants in a pool.

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

OPERATING EXPENSES

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

INCOME TAX

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

The NTT entails no tax on operating profits or tax on dividends from companies within the scheme. Net financials, allowed for some special regulations, are taxed on an ongoing basis, currently at a rate of 24 % (25 % in 2016). A tonnage fee is charged per vessel depending on the size of the vessel owned or leased by companies taxed under the NTT. This tonnage tax is classified as an operating cost.

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 23 % on the basis of temporary differences between tax and accounting values of assets and liabilities that exist at the balance sheet date. Deferred taxes are recognized using the liability method in accordance with IAS 12. Deferred tax is only calculated for assets and liabilities for which future realization will lead to tax payable.

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

VESSELS, NEWBUILDINGS AND DOCKING

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

Depreciation of vessels

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

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

The useful life and residual values are reviewed at each financial year end.

Newbuildings

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

Impairment of vessels and newbuildings

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

FINANCIAL ASSETS

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

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

Loans and receivables

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

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

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

Hedge accounting – cash flow hedges

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

DIVIDENDS

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

PROVISIONS

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

Provisions usually relate to legal claims.

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

RELATED PARTIES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties transactions are recorded to estimated fair value. Transactions with related parties are disclosed in note 18.

EVENTS AFTER BALANCE SHEET DATE

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

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

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

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

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for the year ending 31 December 2017. IASB has issued the following standards/amendments to the following standards that are not yet effective which may have an impact on these financial statements:

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

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

- IFRS 16 Leases (effective date 1 January 2019)

The Group has evaluated if IFRS 9 Financial instruments, IFRS 15 Revenue from contracts with customers and/or IFRS 16 Leases will have significant impact on the financial statements. The Group expects that the adoption of IFRS 15 may result in a change in the method of recognizing revenue from voyage charters, whereby the method of determining proportional performance will change from discharge-to-discharge to load-to-discharge in Cabu Chartering AS. However, accounting principle for the allocated pool income in the Group will not change as this is considered as revenue from time charters accounted for as operating leases under IASY 17. IFRS 16 does not change substantially how a lessor accounts for lease. The main difference mainly relates to the accounts of the lessee. Given today's business, the new standard is not expected to have material impact on the Group. The evaluation of anticipated effects of the IFRS 9 concludes on no material impact on the financial statements of the Group, beyond disclosures. Other issued standards and interpretations, that are not yet effective, are not applicable for the Group, and will not have an impact on the financial statements.

Note 2 - Operating expenses

USD '000	2017	2016
Technical expenses	6 656	5 474
Crew costs	9 446	7 246
Insurance	1 836	1 336
Crewing agency fee to Klaveness Ship Management AS	663	581
Ship management fee to Klaveness Ship Management AS	1 807	1 395
IT fee to Klaveness AS	79	64
Other operating expenses	711	543
Total operating expenses	**21 199**	**16 639**

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

Note 3 - Other operating and administrative expenses

The Group has no employees and has thus no wage expenses or pension liabilities. Management services are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 19. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the members of the Board of Directors, beacuse such positions are a part of their regular employment.

Remuneration to the auditor

USD'000	2017	2016
Statutory audit	63	75
Other assurance services	7	2
Total expensed audit fee	**70**	**78**

Auditor's fees are stated excluding VAT.

Note 4 - Finance income and finance costs

USD'000	2017	2016
Interest received from related parties	666	-
Other interest income	525	641
Other financial income	-	548
Gain on foreign exchange	-	-
Fair value interest rate swaps	518	721
Total finance income	**1 709**	**1 910**

USD'000	2017	2016
Interest expenses mortgage debt	5 144	2 026
Other financial expenses	154	304
Loss on foreign exchange	32	1 135
Total finance costs	**5 331**	**3 465**

Note 5 - Taxes

Tonnage tax

Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. All the Norwegian companies within the Group are subject to tonnage taxation. The companies within this system pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian exemption model, however only a portion of the interest and currency expenses are deductible.

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

Ordinary taxation

The ordinary rate of corporation tax in Norway is 24 % for 2017 (2016: 25 %).

USD '000 Income taxes in the income statement consists of	2017	2016
Income taxes payable	6	-
Change in deferred tax	32	(462)
Tax adjustments - others	-	13
Total tax expense / income (-)	**38**	**(449)**
Tax effects in other comprehensive income	27	-
Deferred tax charged to OCI	**27**	**-**

Temporary differences - ordinary taxation	Temporary difference	2017 Tax effect	Temporary difference	2016 Tax effect
Currency gain/loss not realised	207	48	-	-
Unrealised gain/loss interest rate swaps	(475)	(109)	(994)	(239)
Tax on Other Comprehensive Income	(49)	(11)	-	-
Tax loss carried forward	(2 667)	(613)	(1 054)	(253)
Net temporary differences - deferred tax liability/asset (-)	**(2 983)**	**(686)**	**(2 048)**	**(492)**
Deferred tax liability/ deferred tax asset (-) not recognised*		745		492
Deferred tax liability/ deferred tax asset (-) in balance sheet		**59**		**-**

*At year-end 2017 the company has chosen not to record deferred tax asset of USD 0.7 million (2017: USD 0.5 million). Temporary differences relates to tax loss carried forward in which possibility to net against future gain is uncertain.

Tax computation	2017 Income	2017 Tax effect	2016 Income	2016 Tax effect
Profit / loss (-) before taxes	3 098	744	35 321	8 830
Income from shipping activity, tonnage tax system	(6 720)	(1 613)	(36 876)	(9 219)
Exchange rate differences	2 033	488	3 302	825
Transfer to/use of tax losses carried forward	1 613	387	(1 747)	(437)
Taxable income / tax payable	**25**	**6**	**-**	**-**
Tonnage tax (included in operation profit)		108		73
Total tax payable in the balance sheet		**108**		**73**

Note 6 - Vessels

2017 USD'000	Combination carriers	Total vessels*
Cost price 1.1	288 327	288 327
Additions drydock	3 371	3 371
Delivery of newbuildings	34 431	34 431
Disposals	-	-
Costprice 31.12	**326 129**	**326 129**
Acc. depreciation 1.1	129 474	129 474
Depreciation for the year	16 867	16 867
Disposals		-
Acc. depreciation losses 31.12	**146 341**	**146 341**
Acc. impairment losses 1.1	-	-
Impairment for the year	-	-
Disposals	-	-
Acc. impairment losses 31.12	**-**	**-**
Carrying amounts 31.12	**179 787**	**179 787**
No. of vessels	9	9
Useful life	20	
Depreciation schedule	Straight-line	

2016 USD'000	Combination carriers	Total vessels*
Cost price 1.1	210 055	210 055
Additions drydock	2 638	2 638
Additions newbuildings	77 798	77 798
Disposals	(2 164)	(2 164)
Costprice 31.12	**288 327**	**288 327**
Acc. depreciation 1.1	118 826	118 826
Depreciation for the year	12 812	12 812
Disposals	(2 164)	(2 164)
Acc. depreciation losses 31.12	**129 474**	**129 474**
Acc. impairment losses 1.1	-	-
Impairment for the year	-	-
Disposals	-	-
Acc. impairment losses 31.12	**-**	**-**
Carrying amounts 31.12	**158 852**	**158 852**
No. of vessels	8	8
Useful life	20	
Depreciation schedule	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 6.1 million (2016: USD 5.6 million).

Pledged vessels
All owned vessels are pledged to secure the various loan facilities (refer to note 13 for further information).

Note 6 - Vessels (cont.)

Additions

The third combination carrier, MV Ballard, was delivered in May 2017 from Zhejiang Ouhua Shipbuilding in China. In connection with delivery, the Group withheld USD 4 million from the delivery installment for MV Ballard (not included in vessel value), whereof USD 0.8 million has been paid during the second half of 2017. The yard is obliged to complete pending items related to MV Ballard and the two sister vessels MV Balboa and MV Baffin. The withheld amount falls due for payment to the yard (partly or wholly) when the pending items for each vessel have been completed. If the pending items are not completed, the Group will retain the remaining withheld amount. The pending items are not critical for the daily operations of the vessels, but will be rectified by the Group if the yard has not completed the work within the agreed period. The withheld amount will be recognised as debt to yard when the Group has legal obligation to pay the yard.

Impairment assessment

The Group has performed an impairment test where the value in use is calculated using estimated cash flows. The vessels calculated value in use still shows a headroom compared to book value of the fleet (one cash generating unit). No impairment need identifed for the combination carriers.

Note 7 - Newbuildings

The Group took delivery of the third and last combination carrier newbuilding from Zheijiang OuHua Shipbuilding Co. Ltd in China 10 May 2017.

The Group has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with expected delivery in 2018 and early 2019. The contract includes options for further vessels. The commitments related to newbuildings are presented in note 11.

2017 Investments in newbuildings	Combination Carriers	Total
Cost 1.1	31 995	31 995
Yard installments paid	37 281	37 281
Borrowing cost	1 254	1 254
Other capitalized cost	1 653	1 653
Newbuildings delivered	(34 431)	(34 431)
Net carrying amount at 31 December 2017	**37 751**	**37 751**

2016 Investments in newbuildings	Combination Carriers	Total
Cost 1.1	45 526	45 526
Yard installments paid	59 266	59 266
Borrowing cost	1 048	1 048
Other capitalized cost	4 333	4 333
Newbuildings delivered	(78 177)	(78 177)
Net carrying amount at 31 December 2016	**31 995**	**31 995**

Borrowing costs are capitalised to the extent that they are directly related to the acquisition of the vessel. See note 13 for further information of financing of newbuildings.

Note 8 - Receivables

USD'000	2017	2016
Klaveness Ship Management AS	72	35
Cabu Chartering AS	7 463	6 456
Klaveness Ship Holding AS	29	-
Short-term receivables to related parties	**7 564**	**6 491**

Short-term receivables are defined as items that fall due within one year after the close of the accounting year.

USD'000	2017	2016
Accounts receivable	-	7
Prepaid expenses	923	1 245
Accrued income	-	57
Accrued interest income	-	-
Insurance claim	103	1 192
Other short-term receivables	940	71
Other short-term receivables	**1 967**	**2 572**

Claims consists of yard claims related to newbuildings delivered in 2013 and 2014. The majority of the claim are settled in 2017.

Note 9 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2017	2016
Cash and bank deposits, NOK	206	183
Bank deposits, USD	50 770	64 725
Total cash and cash equivalents	**50 976**	**64 908**

Note 10 - Financial assets & liabilities

To reduce currency and interest rate risk, the Group has entered into interest rate swaps (IRS).

The Group holds IRS that qualify for hedge accounting which reduce interest rate risk for loans financing the vessels. These instruments have duration until 2022 and are recognised at fair value with changes through other comprehensive income (OCI). Fair value of interest rate swaps which qualify for hedge accounting is USD 0.1 million (asset) and USD 0.2 million (liability as per 31 december 2017 (2016: 0)).

The Group has entered into four interest swaps which are recognised at fair value of USD 0.8 million (asset) and USD 1.3 million (liability as per 31 December 2017. (2016: USD 1.1 million (asset) and USD 1.5 million (liability)). The IRSs have a duration until 2018 and 2023.

Financial assets at 31 December	2017	2016
Financial instruments at fair value through OCI		
Interest rate swaps	119	-
Financial instruments at fair value through P&L		
Interest rate swaps	794	1 052
Financial assets	**912**	**1 052**

Financial liabilities at 31 December	2017	2016
Financial instruments at fair value through OCI		
Interest rate swaps	167	-
Financial instruments at fair value through P&L		
Interest rate swaps	1 342	2 117
Financial liabilities	**1 509**	**2 117**

Note 11 - Financial risk management

Capital management

The capital structure of the Group is intended to ensure financial stability for the purpose of limiting its cost of capital and maintain sufficient financial stability to reach its strategic goals. The target for the Group's capital structure states that cash should always be adequate to cover all ongoing business, liquidity fluctuations due to market volatility and investment needs. Targets have been defined for the ratio of net interest-bearing debt to EBITDA, equity ratio and cash.

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

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

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group and the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 13), cash and cash equivalents (note 9) and equity attributable to the shareholders.

Financial risk

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

Operational risk

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

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

Market risk

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

Foreign currency risk and interest rate risk

The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of the entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies, but if there are significant transactions in other currencies, hedging is evaluated. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The Group has long term interest bearing debt that is exposed to floating interest rate. In order to hedge the risk, the Group has entered into interest rate swaps. As per year end 2017, 25 % of the floating interest rate loans are hedged (2016: 0 %). Included swaps booked as speculative instruments the ratio is 61 % per year end 2017. Long term mortgage debt bear interest at LIBOR plus a fixed margin. The following table sets out the outstanding swapped amounts as of 31 december 2017.

Note 11 - Financial risk management (cont.)

USD'000 Loan facilities	Outstanding notional amounts of the swap	Swapped portion of credit facilities	Maturity	Fixed interest
Baffin/Ballard (Nordea/Danske Bank)	28 500	55 %	March 2022	1,98-2,47%
Outstanding notional amounts	28 500			

As of 31 December 2017, net fair value of the interest rate swaps (IRS) which qualify for hedge accounting was negative by USD 49k (2016: 0). Changes in the fair values of the IRS are recognized as other comprehensive income (OCI).

Below table sets out the split of other comprehensive income for the years ended 31 December 2017 and 2016, respectively:

Other comprehensive income / (loss) for the period, net of tax	2017	2016
Net movement fair value on interest rate swaps	(49)	-
Income tax effect	(27)	-
Other comprehensive income / (loss) for the period, net of tax	**(76)**	-

Note 11 - Financial risk management (cont.)

The table below shows estimated changes in profit before tax for the group changes in interest rates in 2017 and 2016, with all other variables held constant. The changes are estimated based on given capital structure as of year end and only includes swaps booked as hedges.

USD '000	Change in interest rate	2017	2016
USD LIBOR	+1,00%	599	1 308
	+0,5%	299	654
	-0,5%	(299)	(654)
	-1,00%	599	(1 308)

Counterparty/credit risk

Counterparty risk is generated by service deliveries to customers (CoA's) and risk related to the charterers of the vessels will not meet its obligations under the charter party contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables through the pool). The permitted exposure for each contractual partner is defined through a rating process in the risk department. The Group recognize claims to the extent the Group has legal right to insurance coverage or it is virtually certain that the claim will result in cash inflows from the insurance company. Counterparty risk against insurance institutions exists. There is also risk associated with yards and vessel delivery and replaceent costs thereof. Yard installments are secured with refund guarantee from top-tier Chinese banks.

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

Total credit risk at year-end 2017 amounts USD 72.4 million (2016: USD 87.5 million) (book value of receivables and bank deposits).

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfill its financial liabilities when they fall due.
The Group has capital commitments relating to borrowings and newbuildings. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits, cash flows and secured bank debt are considered sufficient for all needs in the forseeable future. The Group's bank financing are subject to financial and non-financial covenant clauses (see note 13).

The table below illustrates the timing and magnitude of the Group's financial liabilities. Interest bearing debt includes interest payments. Due to the financial situation, debt maturity profile and liquidity reserve at year end, liquidity risk is considered to be low.

Maturity profile financial liabilities at 31 Dec 2017	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	25 295	46 498	62 027		133 820
Accounts payable	503	-	-	-	503
Current debt to related parties	762	-	-	-	762
Total maturity profile	**26 561**	**46 498**	**62 027**	**-**	**135 086**

Commitments newbuildings

The commitments related to newbuildings are set out below. Three combination carriers are scheduled for delivery in second half of 2018 and first quarter of 2019.

Remaining installments at 31 Dec 2017	2018	2019	Total
Combination carriers	77 570	33 740	111 310
Total commitments newbuildings	77 570	33 740	**111 310**

Note 12 - Fair value measurement

Fair value measurement

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

	Carrying amount		Fair value	
USD'000	2017	2016	2017	2016
Loans and receivables at amortised cost				
Long-term receivables from related parties	13 784	15 000	13 784	15 000
Short-term receivables to related parties	7 564	6 491	7 564	6 491
Other short-term receivables	1 967	2 572	1 967	2 572
Total loans and receivables	**23 315**	**24 063**	**23 315**	**24 063**
Cash and cash equivalents	**50 976**	**64 908**	**50 976**	**64 908**
Total	**74 291**	**88 972**	**74 291**	**88 972**
Total current	60 507	73 972	60 507	73 972
Total non-current	13 784	15 000	13 784	15 000

	Carrying amount		Fair value	
USD'000	2017	2016	2017	2016
Financial liabilities at fair value through P&L				
Financial liabilities	1 509	2 117	1 509	2 117
Total financial liabilities at fair value	**1 509**	**2 117**	**1 509**	**2 117**
Financial liabilities at amortised cost				
Long-term interest bearing debt	94 765	80 574	95 343	81 357
Short-term interest bearing debt	20 549	19 818	20 549	19 818
Accounts payable	503	360	503	360
Current debt to related parties	762	910	762	910
Other current liabilities	2 454	2 210	2 454	2 210
Total financial liabilities at amortised cost	**119 034**	**103 872**	**119 611**	**104 656**
Total	**120 543**	**105 989**	**121 120**	**106 773**
Total current	24 269	23 299	24 269	23 299
Total non-current	96 274	82 691	96 852	83 474

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- Fair value of loans from banks and other financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of derivatives are based on mark to market reports recieved from banks.

Note 12 - Fair value measurement (cont.)

Fair value hierarchy

The Group use the financial hierarchy in IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2017:

Assets	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				-
Interest rate swaps, caps		912		**912**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt			115 892	**115 892**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 509		**1 509**

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. During the reporting periods of 2017 and 2016, there were no transfers between any of the levels.

Note 13 - Interest bearing debt

The below table presents an overview of the Group's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2017 and 2016, respectively. All debt is denominated in USD.

As of 31 December 2017, the Group had a total of USD 115.3 million in interest bearing debt (including capitalised fees) of which USD 94.8 million was classified as non-current devt and USD 20.6 million was classified as current debt. an overview of the loan facilities in the Group is presented below.

Mortgage debt are subject to an interest rate of 3M LIBOR plus a margin of in range 2-3.10 per cent.

The Group has a term loan facility of USD 140 million which finance the combination carriers MV Bangor, MV Barcarena and MV Balboa.

Mortgage debt related to the Bantry facility was refinanced in March 2017. The new loan facility has a tenor of 5 years and is guaranteed by T Klaveness Shipping AS.

Loan facilities related to financing of Banasol and Banastar fall due in April 2018, hence the facilities are classified as current debt per 31 December 2017. The Group is considering to refinance the loans.

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

Interest bearing debt	Description	Maturity	Carrying amount	Fair value
T Klaveness Shipping AS	Nordea/Danske Bank	March 2022	33 842	33 842
Banasol	SEB	April 2018	5 500	5 500
Banastar	SEB	April 2018	5 500	5 500
Bantry	Danske Bank	March 2022	8 640	8 640
Bakkedal	Nordea/	Sept 2021	10 208	10 208
Baffin/Ballard	Nordea/Danske Bank	March 2022	52 201	52 201
Capitalised transaction costs			(578)	-
Total interest bearing debt 31 December 2017			**115 313**	**115 891**

Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial.

2017 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	95 343	20 549	115 893
Transaction costs	(578)	-	(578)
Total interest bearing debt	**94 765**	**20 549**	**115 315**

2016 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	80 966	19 818	100 783
Transaction costs	(393)	-	(393)
Liabilities directely associated with the assets held for sale	-	-	-
Total interest bearing debt	**80 573**	**19 818**	**100 391**

The Group has undrawn committed borrowing facilities available at 31 December, for which all conditions have been met, as follows:

2017

USD mill	Credit	Drawn up	Available
T Klaveness Shipping AS, USD 93 mill*	93	-	93
Total	93	-	93

*Committed to newbuildings. Available on delivery of vessel.

Note 13 - Interest bearing debt (cont.)

Covenants

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

The credit facilities also contain financial covenants. For T Klaveness Shipping AS on a consolidated basis the covenants are related to minimum equity and equity ratio, minimum cash and maximum gearing ration measured by net interest-bearing debt/EBITDA. On other levels in the Group the covenants varies. In addition all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan. Certain cross-default exists. The Group is in compliance for all of its covenants at 31 December 2017.

Securities

As a security for the mortgage debt, the company has included a first priority security in all vessels ,and earnings accounts and assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral, mortgaged and leased assets:	2017	2016
Vessels	179 785	158 852
Total book value of collateral, mortgaged and leased assets	**179 785**	**158 852**

Note 14 - Commitments and guarantees

Capital commitments

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

Guarantees

Below is a list of guarantees provided by the Group at 31 December 2017.

Guarantee to	Description	Amount
Danske Bank	T. Klaveness Shipping AS guarantees for the loan facility in Cabu V Investment Inc, related to the vessel MV Bantry.	USD 11.4 mill + interest
Danske Bank/Nordea Bank Norge	T. Klaveness Shipping AS guarantees for the senior secured Term loan Facility Agreement in Baffin Shipping AS and Ballard Shipping AS related to MV Baffin and MV Ballard.	Max USD 34 mill. 50% of outstaning amount at any time + interest, expenses and exposure under derivatives

Note 15 - Other liabilities

Current debt to related parties	2017	2016
Klaveness Ship Management AS	49	262
Klaveness AS	480	418
Cabu Chartering AS	234	230
Current debt related parties	**762**	**910**

Other current liabilities	2017	2016
Accrued expenses	940	695
Crew accrued wages	594	570
Accrued interest	689	521
Other short-term liabilities	235	424
Total other current liabilities	**2 457**	**2 210**

Note 16 - Share capital, shareholders, dividends and reserves

	2017		2016	
Share capital	Number	NOK	Number	NOK
Ordinary shares of NOK 1 000	1 000	1 200 000	1 000	1 200 000

All shares are issued and fully paid.

	2017	2016
The ownership is as follows:	Number of shares	
Klaveness Ship Holding AS	1 000	1 000

Group contribution of USD 10.9 million was contributed in 2017 based on 2016 results. T Klaveness Shipping AS will provide USD 24 million in net group contribution to the parent company Klaveness Ship Holding AS based on 2017 results. The group contribution is not recognised as a liability as of 31 December 2017 as not yet approved by the general meeting.

Note 17 - List of subsidiaries

T Klaveness Shipping AS comprises several subsidiaries. Presented below is a list of all subsidiaries, all of the companies are shipowning companies.

Company name	Ownership interest per 31 Dec 2017	Ownership interest per 31 Dec 2016
Banasol Inc* (Liberia)	50 %	50 %
Cabu Bangor Inc. (Liberia)	100 %	100 %
Banastar Inc.* (Liberia)	50 %	50 %
Cabu V Investment Inc. (Liberia)	95 %	95 %
Cabu VI Investment Inc. (Liberia)	81 %	81 %
Baffin Shipping AS*	50 %	50 %
Ballard Shipping AS*	50 %	50 %

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

Note 18 - Transactions with related parties

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

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

Klaveness AS delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management, commercial management. For the newbuildings in the Group, Klaveness AS performs supervision and project management services.

Klaveness Ship Management AS (KSM) delivers ship management services for all of the vessels in the Group. Ship management fees include services like technical management, crewing management, IT and energy management.

Supplier	Type of agreement	2017	2016
Klaveness AS (related company)	Accounting fee and other adm fee	181	132
Klaveness AS (related company)	Commercial management fee	986	1 016
Klaveness Shipping Shanghai (related company)	Other administration fee	-	185
Klaveness Ship Management AS (related company)	Ship Mangement fee	2 549	2 040

Note 19 - Contingent liabilities

Regular claims are made against the Group as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the Group. No new provisions are recognised in 2017.

Note 20 - Events after the balance sheet date

There has not been any subsequent events with effect on the financial statement as of 31 December 2017.

T Klaveness Shipping AS

Income Statement

USD '000	Note	Year ended 31 December 2017	2016
Continuing operations			
Operating revenue, vessels		11 043	7 968
Gain from sale of fixed assets	Note 2	-	300
Total operating revenue		**11 043**	**8 268**
Operating expenses, vessels	Note 3	(4 894)	(3 830)
Loss from sale of assets	Note 2	(290)	(889)
Ordinary depreciation	Note 7	(4 639)	(3 970)
Impairment loss (-) / reversal	Note 7	-	(3 170)
Tonnage tax	Note 6	(88)	(80)
Group administrative services	Note 17	(500)	(748)
Other operating and administrative expenses	Note 4	(60)	485
Total operating expenses		**(10 472)**	**(12 201)**
Operating profit		**571**	**(3 933)**
Finance income	Note 5	3 668	19 976
Finance costs	Note 5	(1 953)	(1 778)
Profit/(loss) before tax from continuing operations		**2 286**	**14 265**
Income tax expenses	Note 6	-	449
Profit/(loss) after tax from continuing operations		**2 286**	**14 713**
Discontinued operations			
Profit/(loss) after tax from discontinuing operations	Note 1	-	26 727
Profit for the year		**2 286**	**41 440**

*Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

T Klaveness Shipping AS

Statement of Other Comprehensive Income

USD '000	Note	2017	2016
Profit of the year		**2 286**	**41 440**
Other comprehensive income to be reclassified to profit or loss		-	-
Net other comprehensive income to be reclassified to profit or loss		-	-
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive income/(loss) for the period, net of tax		**2 286**	**41 440**

T Klaveness Shipping AS

Balance Sheet Statement

		As at 31 December	
USD '000	Note	2017	2016
ASSETS			
Non-current assets			
Vessels	Note 7	48 071	54 100
Newbuilding contracts	Note 8	37 751	16 153
Investments in subsidiaries	Note 9	51 243	44 713
Financial assets		794	
Other long-term receivables	Note 10	605	15 000
Total non-current assets		**138 463**	**129 966**
Current assets			
Inventories		138	148
Accounts receivable		-	-
Receivables from related parties	Note 10	17 561	17 970
Other short-term receivables		993	2 194
Cash and cash equivalents	Note 11	34 346	52 716
Total current assets		**53 038**	**73 029**
TOTAL ASSETS		**191 501**	**202 995**

T Klaveness Shipping AS

Balance Sheet Statement

USD '000	Note	As at 31 December 2017	2016
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 17 Group	190	190
Share premium		41 608	41 608
Other paid-in capital		-	-
Retained earnings		117 247	125 830
Total equity		**159 045**	**167 629**
Non-current liabilities			
Deferred tax	Note 6	-	-
Interest bearing debt	Note 14	26 796	29 823
Financial liabilities	Note 11 Group	1 342	1 066
Total non-current liabilities		**28 137**	**30 889**
Current liabilities			
Short-term interest bearing debt	Note 14	2 707	2 467
Current debt to related parties	Note 16	559	547
Tax payable	Note 6	-	-
Tonnage tax payable	Note 6	84	72
Other current liabilities		968	1 390
Total current liabilities		**4 318**	**4 477**
TOTAL EQUITY AND LIABILITIES		**191 501**	**202 995**

Oslo, 31 December 2017

Oslo, 21 March 2018

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board member

Morten Skedsmo
Board member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Statement of Changes in Equity

	Attributable to equity holders of the parent				
	Share capital	Share premium	Other paid in capital	Retained earnings	Total
Equity at 1 January 2016	**227**	**52 043**	**9**	**205 622**	**257 900**
Profit (loss) for the year				41 440	41 440
Other comprehensive income for the year				-	-
Total comprehensive income for the year				**41 440**	**41 440**
Capital increase	(37)			(79 963)	
Group Contribution		(10 435)	(9)	(41 192)	
Adjustmemt prior years				(75)	
Equity at 31 December 2016	**190**	**41 608**	**-**	**125 831**	**167 629**
Profit (loss) for the year				2 286	2 286
Other comprehensive income for the year				-	-
Total comprehensive income for the year				**2 286**	**2 286**
Capital decrease					**-**
Group contribution				(10 876)	**(10 876)**
Ither changes				5	**5**
Equity at 31 December 2017	**190**	**41 608**	**-**	**117 247**	**159 045**

T Klaveness Shipping AS

Statement of Cash Flows

USD '000	Note	2017	2016
Profit before tax from continuing operations		2 286	14 265
Profit before tax from discontinuing operations*		-	26 727
Tonnage tax expensed		88	80
Loss/ (gain) on sale of fixed assets	Note 2	290	(25 651)
Ordinary depreciation	Note 7	4 639	3 970
Impairment loss/ reversal	Note 7	-	3 170
Amortization of upfront fees bank loans		85	80
Change in provisions		-	(500)
Financial derivatives unrealised loss / gain (-)		(518)	(721)
Gain / (loss) on foreign exchange			-
Interest income	Note 5	(1 098)	(640)
Interest expenses	Note 5	1 928	612
Tax paid for the period		(72)	(1 528)
Share of profit/dividends from subsidiaries	Note 5	(1 904)	(17 993)
Change in current assets		1 621	5 978
Change in current liabilities		(411)	(1 636)
Change in other accruals		778	190
Interest received	Note 5	1 098	640
A: Net cash flow from operating activities		**8 810**	**7 041**
Acquisition of tangible assets	Note 7	(280)	(1 586)
Installments and cost on newbuilding contracts	Note 8	(21 598)	(64 844)
Sale of vessels and newbuildings contracts	Note 1	-	228 390
Received dividends from subsidiaries		1 904	17 993
Loans to related parties		14 805	(13 940)
Capital increase in subsidiaries		-	-
B: Net cash flow from investing activities		**(5 169)**	**166 014**
Proceeds from borrowings	Note 14	-	36 475
Repayment of borrowings	Note 14	(2 707)	(76 847)
Transaction costs on issuance of loans		-	-
Interest paid	Note 5	(1 928)	(355)
Capital decrease		-	(80 000)
Group contribution/dividends paid to equity holders		(10 876)	(41 594)
Capital to subsidiaries		(6 500)	(6 500)
C: Net cash flow from financing activities		**(22 012)**	**(168 822)**
Change in liquidity in the period (A + B + C)		(18 371)	4 233
Net foreign exchange difference			
Net change in liquidity in the period		**(18 371)**	**4 233**
Cash and cash equivalents at beginning of period		52 716	48 483
Cash and cash equivalents at end of period	Note 11	34 346	52 716
Net change in cash and cash equivalents in the period		**(18 370)**	**4 233**

BASIS OF PREPARATION

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

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

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

In 2016, a merger of Klaveness Selfunloaders AS (100% subsidiary) and T. Klaveness Shipping AS took place. For accounting purposes the merger is in accordance with the Group accounting principles for Group restructuring, accounted for at continuity with retrospective effect.

DIVIDEND INCOME/GROUP CONTRIBUTION

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

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

SHARES IN SUBSIDIARIES

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

USE OF ESTIMATES

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

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

Note 2 - Gain/(loss) sale of newbuilding contracts

USD '000	2017	2016
Gain sale of newbuilding contracts	-	300
Loss sale of newbuilding contracts	(290)	(889)

Loss from sale of newbuilding contracts of USD 0.3 million relates to sale of the newbuilding contracts MV Baffin and MV Ballard. As all major rights and responsibilities of the newbuilding contracts was transferred to the new owners, loss is recognised for both contracts in 2016, with adjustments in 2017, see note 8 for more information.

Note 3 - Operating expenses

USD '000	2017	2016
Technical expenses	1 579	1 245
Crew costs	2 231	1 467
Insurance	376	145
Crewing agency fee to Klaveness Ship Management AS	164	114
Management fee to Klaveness Ship Management AS	456	363
Other operating expenses	87	495
Total operating expenses	**4 894**	**3 830**

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

Note 4 - Other operating and administrative expenses

The company has no employees and has thus no wage expenses or pension liabilities. Services included management, technical commercial and crewing are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK) Group, see note 17. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the various members of the Board of Directors, because such positions of office are a part of their regular employment.

Remuneration to the auditor

USD'000	2017	2016
Statutory audit	31	47
Other assurance services	1	2
Total expensed audit fee	**31**	**49**

Auditor's fee are stated excluding VAT.

Note 5 - Finance income and finance costs

USD'000	2017	2016
Income from investments in subsidiaries	1 904	17 993
Interest received from related parties	723	113
Other interest income	375	528
Financial income received from related parties	131	621
Changes in market value financial instruments	518	721
Gain / (loss) on foreign exchange	17	-
Total finance income	**3 668**	**19 976**

USD'000	2017	2016
Interest expenses mortgage debt	1 928	612
Changes in market value financial instruments	-	-
Other financial expenses	24	47
Gain / (loss) on foreign exchange	-	1 119
Total finance costs	**1 953**	**1 778**

Note 6 - Taxes

Tonnage tax
The company is subject to the tonnage tax regime and is exempt from ordinary tax on its shipping income. The companies within this system pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian exemption model, however only a portion of the interest and currency expenses are tax deductible.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 24 % for 2017 (2016: 25 %).

USD '000 A. TAX EXPENSE	2017	2016
Tax payable	0	0
Adjustment of provision for tax	0	13
Elimination of discontinued operations	0	0
Change deferred tax / deferred tax asset	0	(462)
Total tax expense/(income) reported in the income statement	**0**	**(449)**
Tax effects in other comprehensive income	0	0
Deferred tax charged to OCI	**0**	**0**

B. CALCULATION OF TAX BASIS - TAX PAYABLE	2017	2016
Pre-tax profit	2 286	40 991
Profit from shipping operations	(2 390)	(40 665)
Net financial items according to calculation in section B.1	(104)	326
Use of tax losses carried forward	1 564	(1 942)
Exchange rate adjustment temporary differences	(1 460)	1 616
Tax basis for the year	0	0
Tax payable	**0**	**0**
Tonnage tax (included in operation profit)	84	72
Total tax payable in the balance sheet	**84**	**72**

B.1.1 CALCULATION OF PROPORTIONAL DEDUCTION OF INTEREST EXPENSE / FOREIGN CURRENCY LOSSES

- figures calculated from NOK to year end currency rate

Calculation of share of total financial assets for T KLAVENESS SHIPPING AS	**At January 1, 2017**	**At December 31, 2017**	**Average**
Share of financial assets in Banastar, Inc.	549	549	549
Share of financial assets in Banasol, Inc.	973	973	973
Share of financial assets in Cabu Bangor, Inc.	2 274	2 274	2 274
Share of financial assets in Cabu V Investment, Inc.	1 501	1 501	1 501
Share of financial assets in Cabu VI Investment, Inc.	849	849	849
Financial assets T KLAVENESS SHIPPING AS	92 397	54 291	73 344
Total financial assets of the company, including underlying companies	98 542	60 436	79 489
Total capital in T KLAVENESS SHIPPING AS	198 495	182 985	190 740
Share of financial assets (in %)	49,64 %	33,03 %	41,67 %

Calculation of proportional deduction for interest expenses / foreign currency losses	**2017**
Actual interest expenses recorded in the profit and loss account	(1 928)
Capitalized interests	(1 176)
Interest expense on tax payable	0
Interest expense subject to proportional distribution	(3 104)
Calculated proportion of interest expenses for deduction in tax income 41,67%	**(1 293)**
Foreign currency losses / recorded in the profit and loss account	17
Calculated proportion of currency gain/ loss for increase/ decrease in tax income 41,67 %	**7**

B.1.2 CALCULATION OF NET FINANCIAL ITEMS

Financial income and expenses recorded in the profit and loss account	2017	2016
Interest income from Group companies	723	522
Other interest income	375	528
Other financial income	131	621
Interest expense according to proportional calculation	(1 293)	(916)
Other financial expenses	(24)	(47)
Foreign currency loss according to proportional calculation	7	(453)
Change in temporary differences associated with:		
* Interest rate swaps/provisions	(22)	71
Net financial items	**(104)**	**326**

Note 6 - Taxes cont.

B.2 CALCULATION OF INCREASE IN INCOME DUE TO HIGH EQUITY

- figures calculated from NOK to year end currency rate	At January 1, 2017	At December 31, 2017	Average
Total capital T Klaveness Shipping AS	198 495	183 013	190 754
Adjustment, book value in underlying companies	(37 518)	(44 315)	(40 917)
Total capital Banastar, Inc.	6 788	5 689	6 238
Total capital Banasol, Inc.	6 531	5 750	6 141
Total capital Cabu Bangor, Inc.	13 907	13 312	13 609
Total capital Cabu V Investment, Inc.	17 994	15 557	16 776
Total capital Cabu VI Investment, Inc.	17 888	15 607	16 748
A) Total, adjusted assets	224 086	194 613	209 349
Liabilities in T Klaveness Shipping AS	48 460	45 632	47 046
Liabilities Banastar, Inc.	3 504	2 899	3 201
Liabilities Banasol, Inc.	3 506	2 858	3 182
Liabilities Cabu Bangor, Inc.	5 560	4 438	4 999
Liabilities Cabu V Investment, Inc.	11 618	8 950	10 284
Liabilities Cabu VI Investment, Inc.	9 804	8 351	9 077
B) Total, adjusted liabilities	82 452	73 128	77 790
C) 30% of average assets (A*30%)			62 805
Average equity above 70% C - B			(14 985)
Increase in income due to high equity - Prescribed interest rate on positive amount		1,30 %	-

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:

	2017	2016
Profit before tax	2 286	40 991
Nominal tax rate	24 %	25 %
Calculated tax payable on pre-tax profit using the nominal taxation rate	549	10 248
Tax effect, profit from shipping operations	(573)	(10 166)
Tax effect, change in temporary differences, long-term	119	(710)
Tax effect, change of taxation rate from 24 % to 23 % (25% to 24%)	29	19
Tax effect, exchange rate adjustment	(123)	161
Tax expense	**-0**	**-449**
Effective tax rate	-0,01 %	-1,09 %

Note 6 - Taxes cont.

Specification of the tax effect of temporary differences

D. DEFERRED TAX / (DEFERRED TAX ASSET) USD'000	Status at Jan 1, 2017	Change	Status at Dec 31, 2017	Tax effect at Dec 31, 2017 23 %	Status at Dec 31, 2016	Tax effect at Dec 31, 2016 24 %
Foreign currency loan	-	-	-	-	-	-
Provision for loss on interest rate instrument	(1 066)	518	(548)	(126)	(1 066)	(256)
Estimated, unpaid swap interest	71	(22)	49	11	71	17
Total temporary differences	(994)	496	(499)	(115)	(994)	(256)
Total temporary differences - before financial losses carried forward	**(994)**	**496**	**(499)**	**(115)**	**(994)**	**(256)**
Financial losses carried forward	(859)	(1 564)	(2 423)	(557)	(859)	(206)
Total temporary differences	**(1 853)**	**(1 068)**	**(2 921)**	**(672)**	**(1 853)**	**(462)**

Deferred tax / (deferred tax asset) recorded in the balance sheet	-		-
Change in deferred tax / (deferred tax asset)	-		**(462)**

Note 7 - Vessels

2017	Combination carriers	Total vessels*
Cost price 1.1	96 241	96 241
Delivery of newbuildings	(1 670)	(1 670)
Additions (mainly upgrading and docking of vessels)	280	280
Disposal	-	-
Costprice 31.12	**94 851**	**94 851**
Acc. depreciation 1.1	34 868	34 868
Depreciation for the year	4 639	4 639
Disposal		-
Acc. depreciation 31.12	**39 507**	**39 507**
Acc. impairment losses 1.1	7 272	7 272
Impairment for the year	-	-
Disposal	-	-
Acc. impairment losses 31.12	**7 272**	**7 272**
Carrying amounts 31.12.2017	**48 071**	**48 071**
No. of vessels	2	
Useful life	20	
Depreciation schedule	Straight-line	

2016	Combination carriers	Total vessels*
Cost price 1.1	56 806	56 806
Delivery of newbuildings	38 788	38 788
Additions (mainly upgrading and docking of vessels)	1 586	1 586
Disposal	(940)	(940)
Costprice 31.12	**96 241**	**96 241**
Acc. depreciation 1.1	31 839	31 839
Depreciation for the year	3 970	3 970
Disposal	(940)	(940)
Acc. depreciation 31.12	**34 868**	**34 868**
Acc. impairment losses 1.1	4 300	4 300
Impairment for the year	2 972	2 972
Disposal	-	-
Acc. impairment losses 31.12	**7 272**	**7 272**
Carrying amounts 31.12.2016	**54 100**	**54 100**
No. of vessels	2	
Useful life	20	
Depreciation schedule	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 1.3 million (2016: USD 2.0 million.)

Delivery of newbuildings

The combination carrier MV Balboa was delivered from Zhejiang OuHua Shipbuilding Co. Ltd in China in September 2016.

In connection with delivery of the sister vessel, MV Ballard in May 2017, an amount of USD 4 million from the delivery installment for MV Ballard. The amount that counts for MV Balboa's part, USD 1 333 333 was adjusted against vessel value, whereof USD 0.3 million has been paid during the second half of 2017. The yard is obliged to complete pending items related to MV Ballard and the two sister vessels MV Balboa and MV Baffin. The withheld amount falls due for payment to the yard (partly or wholly) when the pending items for each vessel have been completed. If the pending items are not completed, the company will retain the remaining withheld amount. The pending items are not critical for the daily operations of the vessels, but will be rectified by the company if the yard has not completed the work within the agreed period.

Impairment assessment

The company has performed an impairment test where the value in use is calculated using estimated cash flows. The estimated cash flows are based on management's best estimate and reflect the company's expectations of the market in the different segments. The net present value of future cash flows is based on a pre-tax weighted average cost of capital (WACC) of 8.5 % in 2017 (2016: 8.5 %). Cash flows are estimated over the remaining life of the vessel, with an estimated residual value at the end of the economic life. From 2021 and onwards, the cash flows are based on a zero-growth scenario, however an escalating factor of an in average 1.0 % inflation rate has been included for all operating expenses for all years until scrapping.

Cash flow projections for the cabu vessel over the remaining economic life of the vessel show a net present value which is higher than booked value of the vessel. No impairment has been recognized for the cabu vessels at 31 December 2017.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**2017**	**2016**
Impairment of vessels	-	(2 972)
Impairment newbuildings	-	(198)
Total impairment loss (-) / reversal	**-**	**(3 170)**

Note 8 - Newbuildings

The Group took delivery of the third and last combination carrier newbuilding from Zeijiang OuHua Shipbuilding Co. Ltd in China 10 May 2017.

The Group has three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with expected delivery in 2018 and early 2019. The contract includes options for further vessels. The commitments related to newbuildings are presented in note 12.

2017

Investments in newbuildings	Combination carriers	Total
Cost 1.1	16 153	16 153
Borrowing cost	868	868
Yard installments paid	19 370	19 370
Other capitalized cost	1 360	1 360
Reallocation of supervision fee	-	-
Sale of newbuiling contracts	-	-
Delivery of newbuildings	-	-
Impairment reclassed to vessels	-	-
Net carrying amount at 31.12.2017	**37 751**	**37 751**

2016

Investments in newbuildings	Combination carriers	Total
Cost 1.1	45 328	45 328
Borrowing cost	1 245	1 245
Yard installments paid	59 266	59 266
Other capitalized cost	4 333	4 333
Reallocation of supervision fee	-	-
Sale of newbuiling contracts	(55 230)	(55 230)
Delivery of newbuildings	(38 788)	(38 788)
Impairment reclassed to vessels	-	-
Net carrying amount at 31.12.2016	**16 153**	**16 153**

Note 9 - Investments in subsidiaries

	Business office, country	Voting share/ ownership	Book value 31.12.2017	Book value 31.12.2016
Baffin Shipping AS	Oslo, Norway	50 %	6 502	6 502
Ballard Shipping AS	Oslo, Norway	50 %	6 532	2
Banasol Inc	Monrovia, Liberia	50 %	2 630	2 630
Banastar Inc	Monrovia, Liberia	50 %	1 679	1 679
Cabu Bangor Investment Inc	Monrovia, Liberia	100 %	12 784	12 784
Cabu V Investment Inc	Monrovia, Liberia	95 %	12 281	12 281
Cabu VI Investment Inc	Monrovia, Liberia	81 %	8 835	8 835
Investments in subsidiaries			**51 243**	**44 713**

Investments in subsidiaries are recorded at cost. Where a reduction in the value of shares is considered to be permanent and significant an impairment to net realisable value is recognized.

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

Note 10 - Receivables

USD'000	2017	2016
Klaveness Ship Holding AS	-	15 000
Cabu V Investment Inc	605	-
Other long-term receivables	**605**	**15 000**

Long-term receivables are defined as items that fall due later than one year after the close of the accounting year.

USD'000	2017	2016
Klaveness Maritime Agency Inc	17	-
Baffin Shipping AS	54	1 155
Ballard Shipping AS	2 049	15 465
Cabu V Investment Inc	29	-
Klaveness Ship Management AS	61	6
Cabu Chartering AS	1 554	1 344
Klaveness Ship Holding AS	13 784	-
Short-term receivables to related parties	**17 561**	**17 970**

Short-term receivables are defined as items that fall due within one year.
The loan from T Klaveness Shipping AS to Klaveness Ship Holding AS has a maximum limit of USD 30 million with a maturity until November 2018. Interests accumulates and is based on 3M LIBOR + margin.

Note 11 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2017	2016
Cash	51	28
Bank deposits, NOK	206	52
Bank deposits, USD	34 088	52 636
Total cash and cash equivalents	**34 346**	**52 716**

The company has no restricted cash.

Note 12 - Financial risk management

Capital management
Capital management of the company is overseen on Group level, see note 13 in the consolidated accounts of T Klaveness Shipping AS.

The company is exposed to operational risk, market risk (including, but not limited to currency risk, freight rate and vessel values), credit/counterparty risk and liquidity risk. The risks are further described in note 13 in the consolidated accounts of T Klaveness Shipping AS.

Foreign currency risk and interest rate risk
The company's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of the company. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies, but if there are significant transactions in other currencies, hedging is evaluated. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The company has long term interest bearing debt that is exposed to floating interest rate. The company had no interest rate hedges which qualify for hedge accounting at year end 2017. To reduce interest rate risk on the mortgage debt, the company holds some interest rate swaps twhich are recognised at fair value with changes in fair value recognised in income statement. Fair value of the financial instruments are negative USD 1.3 million at year end 2017 (2016: negative USD 1.1 million) (see note 13).

The table below shows estimated changes in profit before tax for the company from reasonable possible changes in interest rates in 2017 and 2016, with all other variables held constant. The changes are estimated based on given capital structure as of year end.

USD '000	Change in interest rate	2017	2016
USD LIBOR	+1,00%	(128)	176
	+ 0,5%	(64)	88
	-0,5%	64	(88)
	-1,00%	128	176

Counterparty/credit risk
Counterparty risk is generated by service deliveries to customers (CoA's) and risk related to the charterers of the vessels will not meet its obligations under the charter party contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables through the pool). The permitted exposure for each contractual partner is defined through a rating process in the risk department. The Group recognize claims to the extent the Group has legal right to insurance coverage or it is highly probable that the claim will result in cash inflows from the insurance company. Counterparty risk against insurance institutions exists.

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

Liquidity risk
Liquidity risk is the risk that the company may not be able to meet its financial liabilities when they fall due. Liquidity risk is managed by the company's treasury department. The company keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits, cash flows and secured debt are considered sufficient for all needs in the forseeable future. The company's bank financing are subject to financial and non-financial covenant clauses, ref Group note 14.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments. Interest bearing debt includes interest payments. Due to the financial situation, debt maturity profile and liquidity reserve at year end, liquidity risk is considered to be low.

Maturity profile of financial liabilities at 31 Dec 2017	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	3 954	7 803	22 772	-	34 529
Accounts payable	159	-	-	-	159
Short-term debt to related parties	559				559
Total maturity profile	**4 672**	**7 803**	**22 772**	**-**	**35 247**

Commitments newbuildings

The commitments related to newbuildings are set out below. Three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China are scheduled for delivery in 2018 and early 2019.

Remaining installments at 31 December 2017	2018	2019	Total
Combination carriers	77 570	33 740	111 310
Total commitments newbuildings	**77 570**	**33 740**	**111 310**

Note 13 - Fair value measurement

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

	Carrying amount		Fair value	
	2017	2016	2017	2016
Loans and receivables at amortised cost				
Long-term receivables	605	15 000	605	15 000
Accounts receivable	-	-	-	-
Short-term receivables from related parties	17 561	17 970	17 561	17 970
Other short-term receivables	993	2 194	993	2 194
Total loans and receivables	**19 158**	**35 165**	**19 158**	**35 165**
Cash and cash equivalents	**34 346**	**52 716**	**34 346**	**52 716**
Total	**87 881**	**53 504**	**53 504**	**87 881**
Total current	52 900	72 881	52 900	72 881
Total non-current	605	15 000	605	15 000

	Carrying amount		Fair value	
	2017	2016	2017	2016
Financial liabilities at fair value through P&L				
Swap agreements	1 342	1 066	1 342	1 066
Total financial liabilities at fair value	**1 342**	**1 066**	**1 342**	**1 066**
Financial liabilities at amortised cost				
Interest bearing debt	29 503	32 290	29 651	32 427
Accounts payable	159	140	159	140
Short-term debt to related parties	559	547	559	547
Total financial liabilities at amortised cost	**30 221**	**32 978**	**30 369**	**33 115**
Total	**31 562**	**34 043**	**31 711**	**34 180**
Total current	3 425	3 155	3 425	3 155
Total non-current	28 137	30 889	28 286	31 026

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- The difference between carrying amount and fair value on interest bearing debt relates to amortised costs, and apart from that there are no significant difference between fair value and carrying amount. The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

The company uses financial hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the company's assets and liabilities. The company has no assets measured at fair value as of 31 December 2017 (2016).

31/12/2017

Liabilities	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 342		**1 342**

31/12/2016

Liabilities	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 066		**1 066**

Note 13 - Fair value measurement continued

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

The fair value of financial instruments that are not traded in an active market (for example over -the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity sepcific 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 is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2016 and 2017, there were no transfers between any of the levels.

Note 14 - Interest bearing debt

The below table presents the company's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2017 and 2016, respectively. All debt is denominated in USD and are subject to an interest rate of 3M LIBOR plus a margin of 2.0 %.

Capitalized financial expenses consist of up-front fee, commitment fee, legal costs etc. The fees are capitalized and depreciated over the tenor of the loan. As of 31 December 2017, the company had a total of USD 29.7 million in interest bearing debt (incl capitalized fees). An overview of the loan facilities in the company is presented below.

The term loan facility of USD 140 million is a joint borrowers agreement between T Klaveness Shipping AS (TKS) and Cabu Bangor Inc (subsidiary) to finance the vessels MV Barcarena (TKS), MV Balboa (TKS) and MV Bangor (Cabu Bangor Inc). As a consequence of the sale of the newbuilding contracts for MV Baffin and MV Ballard the tranches related to these two vessels were carved-out from the USD 140 million term loan facility in 2016.The tranche for financing of MV Bavang (Klaveness Bulk AS) was repaid after the vessel was sold in 2016.

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

Interest bearing debt	Description	Maturity	Carrying amount	Fair value
Term loan - Barcarena/Balboa	Nordea/Danske Bank 140 mill	April 2022	29 651	29 800
Total interest bearing debt			29 651	29 800

2017 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	26 944	2 707	**29 651**
Transaction costs	(148)	-	**(148)**
Total interest bearing debt	26 796	2 707	**29 503**

2016 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	29 892	2 467	**32 359**
Transaction costs	(69)	-	**(69)**
Total interest bearing debt	29 823	2 467	**32 290**

The company has undrawn committed borrowing facilities available at delivery of the newbuildings as follows:

2017

USD'000	Credit	Drawn up	Available
Term loan facility - 3 Combi newbuildings	93 000	-	93 000

Covenants

See description in the consolidated accounts, Group note 15.

Securities

As security for the mortgage debt, the company has provided the bank with a first priority security in shares in some of the vessel owning companies owned by T. Klaveness Shipping AS, all vessels ,and earnings accounts and assignment of the earnings and

Book value of collateral, mortgaged and leased assets:	2017	2016
Vessels	48 071	54 100
Total book value of collateral, mortgaged and leased assets	48 071	54 100

Note 15 - Commitments and guarantees

Capital commitments

The company has capital commitments relating to borrowings and newbuildings, see note 12 for maturity profile for mortgage debt and commitments related to newbuildings.

Guarantees

A list of guarantees provided by the company at 31 December 2017 is presented in table below.

Guarantee to	Description	Amount
Danske Bank	T. Klaveness Shipping AS guarantees for a loan facility in Cabu V Investment Inc related to the vessel MV Bantry.	USD 11.4 mill + interest
Danske Bank/ Nordea Bank Norge	T. Klaveness Shipping AS guarantees for a Senior Secured Term loan Facility Agreement in Baffin Shipping AS and Ballard Shipping AS related to MV Baffin and MV Ballard.	Max USD 34 mill. 50% of outstanding amount at any time + interest, expenses and exposure under derivatives

Note 16 - Current liabilities related parties

Current liabilities related parties	2017	2016
Klaveness Ship Management AS	49	106
Cabu Chartering AS	93	-
Klaveness Ship Holding AS	-	-
Klaveness AS	417	405
Bulkhandling AS	-	36
Current liabilities related parties	**559**	**547**

Note 17 - Transactions with related parties

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

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

Klaveness AS delivers services to the company performed by corporate functions like management, legal, accounting & controlling , risk management and commercial management. For the newbuildings, Klaveness AS performs supervision and project management services for newbuilding contracts in process.

Klaveness Ship Management AS delivers ship management services for all of the vessels in the company. Ship Management fees include services like technical management, crewing management, IT fee and energy management.

USD'000

Supplier	Type of agreement	2017	2016
Klaveness AS (related company)	Accounting fee and other adm fee	199	61
Klaveness AS (related company)	Commercial management fee	319	507
Klaveness Ship Management AS (related company)	Ship Mangement fee	438	505
Group administrative services		**956**	**1 073**

Note 18 - Contingent liabilities

Regular claims are made against the company as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the company.

Note 19 - Events after the balance sheet date

There has not been any subsequent events with effect on the statutory accounts of the company as of 31.12.2017.

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of T Klaveness Shipping AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of T Klaveness Shipping AS, which comprise the financial statements for the parent company and the Group. The financial statements for the parent company and the Group comprise the balance sheet as at 31 December 2017, the statements of other comprehensive income, income statement, the statements of cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company and the Group as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

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Opinion on registration and documentation

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

Oslo, 21 March 2018
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

T. KLAVENESS SHIPPING AS CONSOLIDATED

BOARD OF DIRECTOR'S REPORT 2016

T. Klaveness Shipping AS (the Company) was incorporated 1 January 1992 and is fully owned by Klaveness Ship Holding AS. T. Klaveness Shipping AS is located in Oslo, Norway. The Company's main activity is shipping investments in specialized dry bulk vessels and in companies which own such vessels. The consolidated financial statement of the Company as at year end 31 December 2016 comprises the Company and its subsidiaries (the Group).

In 2016, Klaveness Selfunloader AS has been merged into T. Klaveness Shipping AS with accounting effect from 01.01.2016. The merger has been accounted for at continuity with retrospective effect (comparative figures for 2015 have been adjusted). The effects of the restatement are presented in parent company note 19. Comparative figures in the notes are adjusted to reflect this. The merger has no effect on the Group accounts.

The five selfunloader vessels were delivered to the new owners in January 2016. A gain of USD 26.2 million was recognized in 2016. The selfunloader segment was presented as discontinued operations both in 2015 and 2016. The Group took delivery of two combination carriers in 2016. EGD Shipholding AS joined as 50 per cent partner in two combination carriers, one delivered in 2016 and one with delivery in 2017. The newbuilding program now consists of four combination carriers.

Subsequent to the sale of the selfunloader vessels, a capital decrease of USD 80.0 million has been made in T. Klaveness Shipping AS. A group contribution of in total USD 51.7 million has been given in 2016 based on prior years' results.

New partnership agreements for the vessel Baffin and the newbuilding Ballard resulted in a carve-out from the USD 140 million term loan for the tranches related to the two vessels. The vessels are financed by a USD 56 million term loan facility which was signed in November 2016. A bank loan to finance the three newbuildings with delivery in 2018/2019 was entered into in July 2016.

By the end of 2016, the Group comprises two combination carrier vessels and three newbuildings, and had interests in further six combination carrier vessels and one newbuilding through fully or partly owned subsidiaries.

Earnings for the combination carriers weakened in 2016, mainly due to a weaker tanker market, higher spot exposure and lower transported caustic volumes. Results were nevertheless satisfactory and Klaveness was able to expand its fleet by establishing new trades.

The vessels owned directly or indirectly by the Group, are all under the technical management of Klaveness Ship Management AS. To meet the requirements related to safety and environment as well as to prevent pollution, significant resources are being used on quality- and risk management. All vessels are operated under the principles for quality control in accordance with the ISM code.

The vessels owned by the Group are sailing in the CABU Chartering pool covering chartering and vessel operation. In addition to operating according to technical precautions established in ISM and MARPOL to protect the environment, the pools seek to reduce the burden on the environment by increasing the efficiency of transport and reducing ballast voyages.

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

The Board of Directors confirms that the financial accounts have been prepared under a going concern assumption. Based on market expectations and the actual result for the first months of the year, a positive result is also expected for the Group in 2017. There have been no major transactions or events subsequent to the closing date that would have a negative impact on the evaluation of the financial position of T. Klaveness Shipping AS.

Net result and financial position for T. Klaveness Shipping AS consolidated

Operating revenue from continuing operations for 2016 was USD 41.3 million (2015: USD 51.0 million) and operating costs in total amounted to USD 18.2 million (2015: USD 20.0 million). EBITDA was USD 23.2 million for 2016, weaker than EBITDA of USD 31.0 million for 2015 due to a weaker tanker market, higher spot exposure and lower transported caustic volumes. Net financial items were negative by USD 1.6 million in 2016 (2015: negative USD 3.2 million). Interest expenses on mortgage debt (USD 2.0 million) have increased compared to last year (USD 1.5 million) due to loan for new vessels delivered and accrued interest expenses on interest rate swaps. Net profit after tax from continuing operations was USD 9.0 million for 2016, down from USD 15.8 million for 2015.

Profit from discontinued operations amounts to USD 26.7 million for 2016 and comprise a profit from the sale of five selfunloader vessels of USD 26.2 million.

USD 1.8 million (2015: USD 4.6 million) of total profit after tax is attributable to non-controlling interests related to external investors in some of the shipowning companies.

Total assets decreased by USD 107.0 million in 2016 from USD 388.5 million at year end 2015 to USD 281.5 million. Main impacts come from capital decrease and group contribution.

Cash and bank deposits were USD 64.9 million by the end of 2016, down from USD 71.6 million at year end 2015. The cash flow from operating activities was USD 25.5 million in 2016 (2015: USD 67.9 million), while cash flow from investing activities was USD 107.7 million (2015: negative USD 28.9 million). The latter consists mainly of payment from sale of the selfunloaders and investments in newbuildings and upgrading of existing vessels. The cash flow from financing activities was negative by USD 139.9 million (2015: negative USD 8.0 million) and comprises net drawdown on new loan facilities in 2016, repayment of mortgage debt including interests, and distributions to the shareholders. Interest-bearing debt decreased by approx. USD 7.6 million during 2016 and amounted to USD 100.4 million at year end 2016.

As of 31.12.16 the equity amounts to USD 175.5 million (2015: 269.8 million) whereof USD 14.3 million (2015: USD 10.9 million) is minority share. Total equity decreased by USD 94.3 million in 2016. Total comprehensive income was positive USD 35.7 million and net payments from non-controlling interests USD 1.7 million while payments to the shareholder was USD 131.6 million. The book equity ratio (including non-controlling interests) at year end 2016 was 62 % (2015: 69 %).

Net result and financial position for T. Klaveness Shipping AS (the parent company)

Despite an increase in vessels in operation, operational revenue in the parent company decreased from USD 9.2 million in 2015 to USD 8.3 million in 2016 due to more challenging markets in 2016.

Operating loss is USD 3.9 million in 2016 (2015: Operating loss of USD 5.1 million). An impairment of MV Barcarena of USD 3.0 million (2015: USD 4.3 million) has a negative effect on operating profit in 2016. The result of financial items is USD 18.2 million and comprises dividends from investment in subsidiaries of USD 18.0 million in 2016.

The net profit after tax is USD 41.4 million in 2016 (2015: USD 17.3 million).

T. Klaveness Shipping AS statutory balance sheet amounts to USD 203.0 million at year end 2016. Total assets have decreased by USD 125.5 million mainly due to capital decrease and group contribution.

Interest bearing debt has decreased from USD 62.6 million in 2015 to USD 32.3 million in 2016, mainly due to net repayment of debt for the sold vessels and proceeds from borrowings of MV Balboa.

Total equity decreased by USD 90.3 million in 2016. Total comprehensive income was positive USD 41.4 million and capital distribution to the shareholder was USD 131.7 million. The book equity ratio by year end 2016 was 83 % (2015: 79 %).

Net operating cash flow from the parent company was positive of USD 7.1 million in 2016 (2015: USD 36.6 million). Net cash flow from investing activities was USD 166.0 million (2015: negative USD 21.4 million), mainly due to proceeds from sale of the selfunloader vessels and newbuilding contracts of USD 228.4 million and USD 66.4 million in payments for upgrade of existing vessels and vessels under construction. The cash flow from financing activities was negative USD 168.9 million and comprises net drawdown/repayment on loan facilities of USD 40.4 million and distributions to the shareholder and group contribution of in total USD 121.7 million.

The Board of Directors of T. Klaveness Shipping AS

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

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board Member

Morten Skedsmo
Board Member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Consolidated Income Statement

USD '000	Note	Year ended 31 December 2016	2015
Continuing operations			
Operating revenue, vessels		41 026	50 989
Gain from sale of fixed assets		300	-
Total operating revenue		**41 326**	**50 989**
Operating expenses, vessels	Note 3	(16 639)	(17 675)
Loss from sale of assets		(71)	(93)
Group administrative services	Note 19	(1 333)	(1 941)
Tonnage tax		(81)	(65)
Other operating and administrative expenses	Note 4	(48)	(261)
EBITDA		**23 155**	**30 954**
Ordinary depreciation	Note 7	(12 812)	(10 931)
Impairment loss (-) / reversal		(194)	(0)
EBIT		**10 149**	**20 023**
Finance income	Note 5	1 910	1 041
Finance costs	Note 5	(3 465)	(4 259)
Profit before tax from continuing operations		**8 594**	**16 805**
Income tax expenses	Note 6	449	(1 004)
Profit after tax from continuing operations		**9 043**	**15 801**
Discontinued operations			
Profit/(loss) after tax for the year from discontinued operations	Note 2	26 727	21 652
Profit for the year		**35 769**	**37 453**
Attributable to:			
Equity holders of the parent company		33 984	32 830
Non-controlling interests		1 785	4 623
Total		**35 769**	**37 453**

T Klaveness Shipping AS

Consolidated Statement of Other Comprehensive Income

USD '000	Note	2016	2015
Net profit/ (loss)		**35 769**	**37 453**
Other comprehensive income to be reclassified to profit or loss		-	-
Other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		**-**	**-**
Total comprehensive income/(loss) for the period, net of tax		**35 769**	**37 453**
Attributable to:			
Equity holders of the parent company		33 984	32 830
Non-controlling interests		1 785	4 623
Total		**35 769**	**37 453**

T Klaveness Shipping AS

Consolidated Balance Sheet Statement

USD '000	Note	2016	2015
		As at 31 December	
ASSETS			
Non-current assets			
Vessels	Note 7	158 852	91 229
Newbuilding contracts	Note 8, 13	31 995	45 526
Long-term receivables from related parties		15 000	-
Financial assets	Note 11	1 052	-
Other long-term receivables		-	-
Total non-current assets		**206 898**	**136 756**
Current assets			
Inventories		659	984
Receivables from related parties	Note 9	6 491	5 927
Other short-term receivables	Note 9	2 572	9 510
Cash and cash equivalents	Note 10	64 908	71 628
Total current assets		**74 631**	**88 048**
Assets held for sale	Note 2	-	163 730
TOTAL ASSETS		**281 530**	**388 535**

T Klaveness Shipping AS

Consolidated Balance Sheet Statement

		As at 31 December	
USD '000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 17	190	227
Share premium		41 608	52 043
Other paid-in capital		-	9
Retained earnings		119 339	206 632
Equity attributable to equity holders of the parent		**161 137**	**258 911**
Non-controlling interests		14 330	10 894
Total equity		**175 467**	**269 805**
Non-current liabilities			
Deferred tax liability	Note 6	-	462
Mortgage debt	Note 13, 14	80 574	44 566
Financial liabilities	Note 11	2 117	1 968
Total non-current liabilities		**82 691**	**46 996**
Current liabilities			
Short-term mortgage debt	Note 13, 14	19 818	17 129
Accounts payable		360	1 203
Current debt to related parties	Note 16	910	1 318
Tax payable	Note 6	-	1 412
Tonnage tax payable	Note 6	73	116
Other current liabilities	Note 16	2 210	4 285
Total current liabilities		**23 372**	**25 462**
Liabilities directely associated with the assets held for sale		-	46 271
TOTAL EQUITY AND LIABILITIES		**281 530**	**388 535**

Oslo, 31 December 2016

Oslo, 29 March 2017

Lasse Kristoffersen
Chairman of the Board

Morten Skedsmo
Board member

Liv Hege Dyrnes
Board member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						
	Share capital	Share premium	Other paid in capital	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2015	**227**	**52 043**	**9**	**173 802**	**226 081**	**9 023**	**235 104**
Profit (loss) for the year				32 830	32 830	4 623	37 453
Other comprehensive income for the year			-		-		-
Total comprehensive income for the year				**32 830**	**32 830**	**4 623**	**37 453**
Payments to non-controlling interests					-	(2 752)	(2 752)
Equity at 31 December 2015	**227**	**52 043**	**9**	**206 632**	**258 911**	**10 894**	**269 805**
Profit (loss) for the year				33 984	33 984	1 785	35 769
Other comprehensive income for the year			-		-		-
Total comprehensive income for the year				**33 984**	**33 984**	**1 785**	**35 769**
Payments to non-controlling interests					-	(4 849)	(4 849)
Capital increase in non-controlling interests					-	6 500	6 500
Capital decrease	(37)			(79 963)	(80 000)		(80 000)
Group contribution		(10 435)	(9)	(41 192)	(51 636)		(51 636)
Adjustment prior year				(122)	(122)		(122)
Equity at 31 December 2016	**190**	**41 608**	**0**	**119 339**	**161 138**	**14 330**	**175 467**

T Klaveness Shipping AS

Consolidated Statement of Cash Flows

USD '000	Note	2016	2015
Profit before tax from continuing operations		8 594	16 805
Profit before tax from discontinuing operations**		26 727	21 652
Profit before tax		35 321	38 457
Tonnage tax expensed		81	114
Net gain/loss fixed assets		(26 469)	2 942
Ordinary depreciation	Note 2, 8	12 812	21 464
Impairment loss/ reversal	Note 2, 8	194	(2 953)
Amortization of upfront fees bank loans		233	506
Gain / (loss) on foreign exchange		-	(100)
Financial derivatives unrealised loss / gain (-)		(721)	1 226
Interest income		(641)	(217)
Interest expenses		2 098	2 708
Taxes paid for the period		(1 528)	(935)
Change in receivables		6 373	3 296
Change in current liabilities		(3 325)	1 285
Change in other working capital		592	(68)
Change in financial assets		(182)	-
Interest received		641	217
A: Net cash flow from operating activities		**25 479**	**67 942**
Acquisition of tangible assets	Note 8	(2 638)	(5 933)
Installments and cost on newbuilding contracts	Note 9	(64 647)	(22 962)
Payment received disposal of vessels		190 000	-
Payments made by increase of loans to related parties		(15 000)	-
B: Net cash flow from investment activities		**107 715**	**(28 895)**
Proceeds from borrowings		63 985	69 622
Transaction costs on issuance of loans		(124)	(1 275)
Repayment of borrowings		(81 733)	(70 843)
Group contribution		(41 594)	-
Interest paid		(2 098)	(2 708)
Capital decrease		(80 000)	-
Capital injection from non-controlling interests		6 500	-
Dividends to non-controlling interests		(4 849)	(2 752)
C: Net cash flow from financing activities		**(139 913)**	**(7 956)**
Net change in liquidity in the period (A + B + C)		(6 719)	31 091
Net foreign exchange difference		-	(13)
Net change in liquidity in the period		**(6 720)**	**31 077**
Cash and cash equivalents at beginning of period		71 628	40 551
Cash and cash equivalents at end of period	Note 11	64 908	71 628
Net change in cash and cash equivalents in the period		**(6 720)**	**31 077**
Undrawn facilities***	Note 15	121 000	127 777

** Net cash flow from operating/investment/financing activities includes discontinued operation - see note 2.
*** Includes undrawn part of a Revolving credit facility and committed but undrawn part of loans for the vessels under construction.

CORPORATE INFORMATION

T Klaveness Shipping AS ("parent company"/TKS) is a private limited company domiciled and incorporated in Norway. The parent company is headquartered and is registered in Drammensveien 260, 0212 Oslo. The parent company's consolidated accounts for the fiscal year 2016 include the parent company and its subsidiaries (referred to collectively as the Group) and associated companies.

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

The consolidated financial statements for T Klaveness Shipping AS for the fiscal year 2016 are approved in the board meeting at 29 March 2017.

BASIS OF PREPARATION

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

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

In January 2015 T. Klaveness Shipping AS became the owner of the shares in Klaveness Selfunloaders AS through a contribution in kind from Klaveness Ship Holding AS. For accounting purposes the contribution in kind is in accordance with the Group accounting principles for Group restructuring, accounted for at continuity with retrospective effect. In 2016, Klaveness Selfunloader AS has been merged into T. Klaveness Shipping AS with no effects on the Group accounts.

FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

CONSOLIDATION POLICIES

Subsidiaries

The Group's consolidated financial statements comprise T Klaveness Shipping AS (TKS) and companies in which TKS has a controlling interest. A controlling interest is normally obtained when the Group owns more than 50 % of the shares in the company or through agreements are capable of exercising control over the company. Non-controlling interests are included in the Group's equity.

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

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

Common control transactions

Transactions between entities that are ultimately controlled by the same party are accounted for as common control transactions, excluded from the scope of IFRS 3 Business Combinations. Common control transactions are accounted for based on the pooling of interest method, with continuity on carrying amounts. Comparable figures are adjusted to reflect such structural changes.

Non-controlling interests

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Significant estimates and assumptions

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

- the estimates require assumptions about matters that are highly uncertain at the time the estimates are made
- different estimates could have been used
- changes in the estimates have a material impact on T Klaveness Shipping's financial position

Carrying amount of vessels, depreciation and impairment

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

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

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

Onerous contracts

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

The recognition of deferred tax assets

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

Judgments

In the process of applying T Klaveness Shipping's accounting policies, management has made the following judgments which have significant effect on the amounts recognized in the financial statements.

Impairment

The Group has defined the fleet of combination carriers as one cash generating unit (" CGU"), due to the Group's operational strategy to manage the fleet as a portfolio and thereby optimizing the portfolio's cash flow and the earnings for the entire Group.

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

The Group owns 50 % of both Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS. The remaining shares are owned by one shareholder; Veronica Co Ltd (Banasol and Banastar) and EGD (Baffin and Ballard). The entities own one vessel each; MV Banasol, MV Banastar, MV Baffin and MV Ballard (delivered Q1 2017). Management has assessed the investments against control criterias in IFRS 10 whether the Group has rights to direct the relevant activities. The management is of the opinion that power is embedded in one or more contractual arrangements for the main activities; chartering activity and ship-owning activity.

The assessment shows that all elements of control are present. The Group is considered to control the entities Banasol Inc, Banastar Inc, Baffin Shipping AS and Ballard Shipping AS which have been consolidated as subsidiaries into the Group's financial statements.

Sale of selfunloader vessels

A sale of the five selfunloader vessels was concluded in December 2015, and all vessels were delivered to their new owners in January 2016. The Management has considered whether the transaction has one or three different buyers. As the sale was fronted by one nominee, the three buyers are related parties and the fact that prerequisite for a sale was all five vessels or none, the management concluded on one buyer. Based on this, the sale has been treated as sale of group of assets disposed together, ref reversal of prior year impairment (note 2).

REVENUE RECOGNITION

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

The Group's shipowning companies

The Group's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies. Vessels owned by the Group are operated as participants in a pool.

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

OPERATING EXPENSES

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

INCOME TAX

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

The NTT entails no tax on operating profits or tax on dividends from companies within the scheme. Net financials, allowed for some special regulations, are taxed on an ongoing basis, currently at a rate of 25 % (27 % in 2015). A tonnage fee is charged per vessel depending on the size of the vessel owned or leased by companies taxed under the NTT. This tonnage tax is classified as an operating cost.

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

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

VESSELS, NEWBUILDINGS AND DOCKING

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

Depreciation of vessels

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

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

The useful life and residual values are reviewed at each financial year end.

Newbuildings

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

Impairment of vessels and newbuildings

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

FINANCIAL ASSETS

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

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

Loans and receivables

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

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

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

Hedge accounting – cash flow hedges

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

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

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

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

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

FINANCIAL LIABILITIES

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

This category generally applies to interest-bearing loans and borrowings. For more information refer note 14.

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

DIVIDENDS

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

PROVISIONS

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

Provisions usually relate to legal claims.

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

RELATED PARTIES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. Related parties transactions are recorded to estimated fair value. Transactions with related parties are disclosed in note 19.

EVENTS AFTER BALANCE SHEET DATE

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

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

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

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

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

- IFRS 16 Leases (effective date 1 January 2019)

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

Note 2- Discontinued operations

The five selfunloader vessels were sold in November 2015 and delivered to their new owners in January 2016. The transaction valued the five vessels at USD 190 million in total which resulted in a gain of USD 26.2 million recognised in 2016.

The results of selfunloader vessels for the period are presented below:

USD '000	2016	2015
Operating revenue, vessels	1 060	47 500
Gain from sale of fixed asssets	26 240	
Total operating revenue	**27 300**	**47 500**
Operating expenses, vessels	(422)	(16 195)
Loss from sale fixed assets	-	-
Ordinary depreciation	-	(10 533)
Impairment reversal	-	2 953
Group administrative services	-	(409)
Other operating and adm expenses	(79)	(414)
Operating profit/EBIT	**26 799**	**22 852**
Finance income	-	-
Finance costs	(72)	(1 200)
Profit/(loss) before tax	**26 727**	**21 652**
Income tax expenses	-	-
Profit/(loss) after tax from discontinued operations	**26 727**	**21 652**

The major classes of assets and liabilities of assets held for discontinued operations are, as follows:

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

Cash flows from discontinued operations are not presented separately in the cash flow statement. Cash flows from discontinued operations are as follows:

USD '000	2016	2015
Net cash flow from operating activities	-	25 570
Net cash flow from investment activities	190 000	(66 009)
Net cash flow from financing activities	(46 271)	46 067
Net cash flow from discontinued operations	**143 729**	**5 628**

Note 3 - Operating expenses

USD '000	2016	2015
Technical expenses	5 474	5 440
Crew costs	7 246	6 304
Insurance	1 336	1 079
Crewing agency fee to Klaveness Ship Management AS	581	557
Ship management fee to Klaveness Ship Management AS	1 395	1 299
IT fee to Klaveness AS	64	168
Other operating expenses	543	2 827
Total operating expenses	**16 639**	**17 675**

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

Note 4 - Other operating and administrative expenses

The Group has no employees and has thus no wage expenses or pension liabilities. Management services are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK), see note 19. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the members of the Board of Directors, beacuse such positions are a part of their regular employment.

Remuneration to the auditor

USD'000	2016	2015
Statutory audit	75	49
Other assurance services	2	19
Total expensed audit fee	**78**	**68**

Auditor's fees are stated excluding VAT.

Note 5 - Finance income and finance costs

USD'000	2016	2015
Other interest income	641	217
Other financial income	1 268	724
Gain on foreign exchange	-	100
Total finance income	**1 910**	**1 041**

USD'000	2016	2015
Interest paid to related parties		-
Interest expenses mortgage debt	2 026	1 508
Other financial expenses	304	2 751
Loss on foreign exchange	1 135	-
Total finance costs	**3 465**	**4 259**

Note 6 - Taxes

Tonnage tax
Companies subject to tonnage tax regimes are exempt from ordinary tax on their shipping income. All the Norwegian companies within the Group are subject to tonnage taxation. The companies within this system have to pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian exemption model, and it is only a portion of the interest and currency expenses that gives the right to tax deductions.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 27 % for 2015 and 25 % for2016.

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

USD '000 Income taxes in the income statement consists of	2016	2015
Income taxes payable	0	1 412
Change in deferred tax	(462)	(413)
Tax adjustments - others	13	4
Total tax expense / income (-)	**(449)**	**1 004**
Tax effects in other comprehensive income	-	-
Deferred tax charged to OCI	-	-

Temporary differences - ordinary taxation	Temporary difference	2016 Tax effect	Temporary difference	2015 Tax effect
Currency gain/loss not realised	-	-	3 816	954
Unrealised gain/loss interest rate swaps	(994)	(239)	(1 968)	(492)
Tax loss carried forward	(1 054)	(253)	(2 801)	(700)
Net temporary differences - deferred tax liability/asset (-)	**(2 048)**	**(492)**	**(953)**	**(238)**
Deferred tax liability/ deferred tax asset (-) not recognised*		**(492)**		**(700)**
Tax (income)/expense during the period recognised in OCI		-		-
Dereffed tax liability/ deferred tax asset (-) in balance sheet		**0**		**462**

*At year-end 2016 the company has chosen not to record deferred tax asset of USD 0.5 million (2015: USD 0.7 million). Temporary differences relates to tax loss carried forward in which possibility to net against future gain is uncertain.

Tax computation	Income	2016 Tax effect	Income	2015 Tax effect
Profit / loss (-) before taxes	35 321	8 830	38 457	10 383
Income from shipping activity, tonnage tax system	(36 876)	(9 219)	(39 873)	(10 766)
Permanent differences	-	-	-	-
Change in temporary differences	2 842	711	2 466	666
Change in tax losses carried forward	(1 747)	(437)	1 727	466
Exchange rate differences	460	115	2 453	662
Taxable income / tax payable	**0**	**0**	**5 230**	**1 412**
Tonnage tax (included in operation profit)		73		116
Total tax payable in the balance sheet		**73**		**116**

Note 7 - Vessels

2016 USD'000	Combination carriers	Total vessels*
Cost price 1.1	210 055	210 055
Additions drydock	2 638	2 638
Additions newbuildings	77 798	77 798
Disposals	(2 164)	(2 164)
Costprice 31.12	**288 327**	**288 327**
Acc. depreciation 1.1	118 826	118 826
Depreciation for the year	12 812	12 812
Disposals	(2 164)	(2 164)
Acc. depreciation losses 31.12	**129 474**	**129 474**
Acc. impairment losses 1.1	-	-
Impairment for the year	-	-
Disposals	-	-
Acc. impairment losses 31.12	**-**	**-**
Carrying amounts 31.12	**158 852**	**158 852**
No. of vessels	8	8
Useful life	20	
Depreciation schedule	Straight-line	

2015 USD'000	Combination carriers	Total vessels*
Cost price 1.1	206 493	206 493
Additions	3 562	3 562
Disposals	-	-
Costprice 31.12	**210 055**	**210 055**
Acc. depreciation 1.1	107 895	107 895
Depreciation for the year	10 931	10 931
Disposals	-	-
Acc. depreciation losses 31.12	**118 826**	**118 826**
Acc. impairment losses 1.1	-	-
Impairment for the year	-	-
Disposals	-	-
Acc. impairment losses 31.12	**-**	**-**
Carrying amounts 31.12	**91 229**	**91 229**
No. of vessels	6	6
Useful life	20	
Depreciation schedule	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 5.6 million (2015: USD 3.7 million).

Pledged vessels

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

Note 7 - Vessels (cont.)

Additions

Two combination carriers, MV Balboa and MV Baffin were delivered from Zheijiang OuHua Shipbuilding Co. Ltd in China in the second half of 2016.

Disposals of vessels

Selfunloader vessels was presented as discontinued operation at year end 2015. The vessels were delivered to their new owners in January 2016 - see note 2 for furter information.

Impairment assessment

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

Combination carriers

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

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

Note 8 - Newbuildings

During 2016, two out of three 80,500 DWT combination carriers were delivered from Zhejiang OuHua Shipbuilding Co. Ltd. in China. The third vessel is scheduled for delivery in April 2017.

In December 2015, the Group entered into a contract with from Jiangsu New Yangzi Shipbuilding Co., Ltd in China for construction of three 83,500 DWT combination carriers. The vessels will be delivered during the second half of 2018 and early 2019. The contract includes options for further vessels.

The Kamsarmax vessels under construction was cancelled in 2015. Installments related to the cancelled kamsarmax have been expensed through P&L in 2015 (USD 2.8 million).Capitalised cost of USD 0.2 million related to the cancelled kamsarmax vessel was expensed through income statement in 2016.

As per year end 2016, no indicators of impairment was identified, and no impairment is recognized in the financial statements.

2016 Investments in newbuildings	Combination Carriers	Total
Cost 1.1	45 526	45 526
Yard installments paid	59 266	59 266
Borrowing cost	1 048	1 048
Other capitalized cost	4 333	4 333
Newbuildings delivered	(78 177)	(78 177)
Net carrying amount at 31 December 2016	**31 995**	**31 995**

2015 Investments in newbuildings	Combination Carriers	Kamsarmax	Total
Cost 1.1	21 946	2 942	24 888
Yard installments paid	21 462	-	21 462
Borrowing cost	618		618
Other capitalized cost	1 500	-	1 500
Impairment loss (-)/reversal	-	(2 942)	(2 942)
Net carrying amount at 31 December 2015	**45 526**	**-**	**45 526**

Borrowing costs are capitalised to the extent that they are directly related to the acquisition of the vessel. See note 14 for further information of financing of newbuildings.

Note 9 - Receivables

USD'000	2016	2015
Klaveness Ship Management AS	35	46
Cabu Chartering AS	6 456	5 881
Short-term receivables to related parties	**6 491**	**5 927**

Short-term receivables are defined as items that fall due within one year after the close of the accounting year.

USD'000	2016	2015
Accounts receivable	7	270
Prepaid expenses	1 245	788
Accrued income	57	3 408
Accrued interest income	-	3
Insurance claim	1 192	1 973
Other short-term receivables	71	3 069
Other short-term receivables	**2 572**	**9 510**

Claims consists of yard claims related to newbuildings delivered in 2013 and 2014. The majority of the claim is

Note 10 - Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	2016	2015
Cash and bank deposits, NOK	183	315
Bank deposits, USD	64 725	71 313
Total cash and cash equivalents	**64 908**	**71 628**

The equivalent of USD 0.3 million of bank deposit in USD is restricted.

Note 11 - Financial assets & liabilities

To reduce currency and interest rate risk, the Group has entered into interest rate swaps (IRSs) which are recognised at fair value with changes through income statement. The IRSs do not qualify for hedge accounting.

The Group has entered into interest rate swap agreements recognised at fair value of USD 1.1 million (assets) and USD 2.1 million (liability) as of year end 2016. The IRSs have a duration until 2018 and 2023.

Financial assets at 31 December	2016	2015
Financial instruments at fair value through P&L		
Interest rate swaps	1 052	-
Financial assets	**1 052**	**-**

Financial liabilities at 31 December	2016	2015
Financial instruments at fair value through P&L		
Interest rate swaps	2 117	1 968
Financial liabilities	**2 117**	**1 968**

Note 12 - Financial risk management

Capital management
The capital structure of the Group is intended to ensure financial stability for the purpose of limiting its cost of capital and maintain sufficient financial stability to reach its strategic goals. The target for the Group's capital structure states that cash should always be adequate to cover all ongoing business, liquidity fluctuations due to market volatility and investment needs. Targets have been defined for the ratio of net interest-bearing debt to EBITDA, equity ratio and cash.

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

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

The main priority of maintaining a strong financial position is to secure the ongoing business activity of the Group and the ability to do new business and to ensure access to funding at favourable terms. The Group's capital structure consists of mortgage debt (note 14), cash and cash equivalents (note 10) and equity attributable to the shareholders.

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

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

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

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

Foreign currency risk and interest rate risk
The Group's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of the entities in the Group. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies, but if there are significant transactions in other currencies, hedging is evaluated. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The Group has long term interest bearing debt that is exposed to floating interest rate. The Group had no interest rate hedges which qualify for hedge accounting at year end 2016. However, the Group has entered into some interest rate swaps for speculative purposes (note 11). The Group evaluates on an ongoing basis the need to hedge interest rate exposure. The table below shows estimated changes in profit before tax for the Group from reasonable possible changes in interest rates in 2016 and 2015, with all other variables held constant. The changes are estimated based on given capital structure as of year end.

USD '000	Change in interest rate	2016	2015
USD LIBOR	+1,00%	1 308	1 085
	+0,5%	654	542
	-0,5%	(654)	(542)
	-1,00%	(1 308)	(1 085)

Note 12 - Financial risk management (cont.)

Counterparty/credit risk

Counterparty risk is generated by service deliveries to customers (CoA's) and risk related to the charterers of the vessels will not meet its obligations under the charter party contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables through the pool). The permitted exposure for each contractual partner is defined through a rating process in the risk department. The Group recognize claims to the extent the Group has legal right to insurance coverage or it is virtually certain that the claim will result in cash inflows from the insurance company. Counterparty risk against insurance institutions exists.

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

Total credit risk at year-end 2016 amounts USD 87.5 million (2015: USD 79.5 million) (book value of receivables and bank deposits).

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfill its liabilities when they fall due.
The Group has capital commitments relating to borrowings and newbuildings. Liquidity risk is managed by the Group's treasury department. The Group keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits, cash flows and secured bank debt are considered sufficient for all needs in the forseeable future. The Group's bank financing are subject to financial and non-financial covenant clauses (see note 14).

The table below illustrates the timing and magnitude of the Group's financial liabilities. Interest bearing debt includes interest payments. Due to the financial situation, debt maturity profile and liquidity reserve at year end, liquidity risk is considered to be low.

Maturity profile financial liabilities at 31 Dec 2016	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	23 036	29 431	22 953	39 600	115 021
Accounts payable	360	-	-	-	360
Current debt to related parties	910	-	-	-	910
Total maturity profile	**24 306**	**29 431**	**22 953**	**39 600**	**116 291**

Commitments newbuildings

The commitments related to newbuildings are set out below. One combination carrier is estimated to be delivered in second quarter of 2017, and three combination carriers are scheduled for delivery in second half of 2018 and first quarter of 2019.

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

Note 13 - Fair value measurement

Fair value measurement

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.

	Carrying amount		Fair value	
USD'000	2016	2015	2016	2015
Loans and receivables at amortised cost				
Long-term receivables from related parties	15 000	-	15 000	-
Short-term receivables to related parties	6 491	5 927	6 491	5 927
Other short-term receivables	2 572	9 510	2 572	9 510
Total loans and receivables	**24 063**	**15 436**	**24 063**	**15 436**
Cash and cash equivalents	**64 908**	**71 628**	**64 908**	**71 628**
Total	**88 972**	**87 065**	**88 972**	**87 065**
Total current	73 972	87 065	73 972	87 065
Total non-current	15 000	-	15 000	-

	Carrying amount		Fair value	
USD'000	2016	2015	2016	2015
Financial liabilities at fair value through P&L				
Financial liabilities	2 117	1 968	2 117	1 968
Total financial liabilities at fair value	**2 117**	**1 968**	**2 117**	**1 968**
Financial liabilities at amortised cost				
Long-term interest bearing debt	80 574	44 566	81 357	44 566
Short-term interest bearing debt	19 818	17 129	19 818	17 129
Liabilities directely associated with the assets held for sale	-	46 271	-	46 271
Accounts payable	360	1 203	360	1 203
Current debt to related parties	910	1 318	910	1 318
Other current liabilities	2 210	4 285	2 210	4 285
Total financial liabilities at amortised cost	**103 872**	**114 771**	**104 656**	**114 771**
Total	**105 989**	**116 739**	**106 773**	**116 739**
Total current	23 299	70 206	23 299	70 206
Total non-current	82 691	46 534	83 475	46 534

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

Note 13 - Fair value measurement (cont.)

Fair value hierarchy
The Group use the financial hierarchy in IFRS 13 for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the Group's assets and liabilities at 31 December 2016:

31/12/2016

Assets	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				-
Interest rate swaps, caps		1 052		**1 052**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities not measured at fair value, but for which fair value is disclosed				
Mortgage debt			101 175	**101 175**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		2 117		**2 117**

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

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

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.
During the reporting periods of 2016 and 2015, there were no transfers between any of the levels.

Note 14 - Interest bearing debt

The below table presents an overview of the Group's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2016 and 2015, respectively. All debt is denominated in USD. Mortgage debt are subject to an interest rate of 3M LIBOR plus a margin of in range 2-3.10.

The Group has a term loan facility of USD 140 million which finance the combination carriers MV Bangor, MV Barcarena and MV Balboa.The facility also secured financing for the dry bulk vessel MV Bavang which was sold in 2016. All debt related to MV Bavang has been repaid when sold. T.Klaveness Shipping AS and Cabu Bangor Inc. are joint borrowers.

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

Mortgage debt related to the Bantry facility falls due in March 2017, hence the facility is classified as current debt as per 31 December 2016. The loan was refinanced in March 2017 (note 21).

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

The revolving credit facility (RCF) of USD 75 million which financed the selfunloader vessels was repaid in January 2016, see note 2.

Interest bearing debt	Description	Maturity	Carrying amount	Fair value
Term Loan Facility	Nordea/Danske Bank, USD 140 mill	March 2022	37 481	37 624
Banasol	SEB/USD 12 mill	April 2018	6 500	6 539
Banastar	SEB/USD 12 mill	April 2018	6 500	6 538
Bantry	Danske Bank/USD 18.9 mill	March 2017	11 419	11 426
Bakkedal	Nordea/USD 16 mill	Sept 2021	11 375	11 478
Baffin/Ballard	Nordea/Danske Bank	March 2022	27 510	27 570
Total interest bearing debt 31 December 2016			**100 784**	**101 175**

Fair value is estimated to carrying amount less financing costs as the difference between market margin and carrying margin is considered to be immaterial.

2016 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	80 966	19 818	100 784
Transaction costs	(393)	-	(393)
Total interest bearing debt	**80 573**	**19 818**	**100 391**

2015 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	45 050	17 129	62 179
Transaction costs	(485)	-	(485)
Liabilities directely associated with the assets held for sale	-	46 271	46 271
Total interest bearing debt	**44 566**	**63 400**	**107 966**

The Group has undrawn committed borrowing facilities available at 31 December, for which all conditions have been met, as follows:

2016

USD mill	Credit	Drawn up	Available
Baffin/Ballard, USD 56 million*	56	28	28
T Klaveness Shipping AS, USD 93 mill*	93	0	93
Total	149	28	121

*Committed to newbuildings. Available on delivery of vessel.

Note 14 - Interest bearing debt (cont.)

Covenants

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

The credit facilities also contain financial covenants. For T Klaveness Shipping AS on a consolidated basis the covenants are related to minimum equity and equity ratio, minimum cash and maximum gearing ration measured by net interest-bearing debt/EBITDA. On other levels in the Group the covenants varies. In addition all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan. Certain cross-default exists. The Group is in compliance for all of its covenants at 31 December 2016.

Securities

As a security for the mortgage debt, the company has included a first priority security in all vessels ,and earnings accounts and assignment of the earnings and insurances of the vessels in favour of the debtors.

Book value of collateral, mortgaged and leased assets:	2016	2015
Vessels*	158 852	254 959
Total book value of collateral, mortgaged and leased assets	**158 852**	**254 959**

*Includes vessels held for sale

Note 15 - Commitments and guarantees

Capital commitments

The Group has capital commitments relating to borrowings and newbuildings. For information of maturity profile for interest bearing debt, see note 12. Commitments related to newbuildings are presented in note 12. Available facilities is presented in note 14.

Guarantees

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

Guarantee to	Description	Amount
Danske Bank	T. Klaveness Shipping AS guarantees for the loan facility in Cabu V Investment Inc, related to the vessel MV Bantry.	USD 18.9 mill + interest
Danske Bank/Nordea Bank Norge	T. Klaveness Shipping AS guarantees for the senior secured Term loan Facility Agreement in Baffin Shipping AS and Ballard Shipping AS related to MV Baffin and MV Ballard.	Max USD 34 mill. 50% of outstaning amount at any time + interest, expenses and exposure under derivatives
Ballard Shipping AS	T. Klaveness Shipping AS and EGD Shipholding AS (shareholders) have issued a letter of support where they have committed to provide the company with necessary capital to Ballard Shipping AS to cover remaining installments related to delivery of MV Ballard.	Remaining installment of USD 21.1 million
Nordea	T Klaveness Shipping AS and Cabu Bangor Inc are joint and several borrowers in the USD 140 million facility.	USD 32.4 million have been drawn by TKS and USD 5.1 million by Cabu Bangor as of 31 December 2016.

Note 16 - Other liabilities

Current debt to related parties	2016	2015
Klaveness Ship Management AS	262	358
Klaveness Ship Holding AS	-	914
Klaveness AS	418	6
Cabu Chartering AS	230	40
Current debt related parties	**910**	**1 318**

Other current liabilities	2016	2015
Accrued expenses	695	1 279
Crew accrued wages	570	1 487
Accrued interest	521	363
Other short-term liabilities	424	1 156
Total other current liabilities	**2 210**	**4 285**

Note 17 - Share capital, shareholders, dividends and reserves

	2016		2015	
Share capital	Number	NOK	Number	NOK
Ordinary shares of NOK 1 000	1 000	1 200 000	1 000	1 500 000

All shares are issued and fully paid.

A capital decrease of USD 80 million has been registered in 2016. Share capital was decreased by NOK 300 000, from NOK 1 500 per share to NOK 1 200 per share.

In January 2015, shares in Klaveness Selfunloaders AS was paid as contribution in kind. The capital increase has been measured based on fair value of the shares. Share capital was increased by NOK 500 000, from NOK 1 000 per share to NOK 1 500 per share. Share premium increased by NOK 316 454 785.

	2016	2015
The ownership is as follows:	Number of shares	
Klaveness Ship Holding AS	1 000	1 000

Group contribution of USD 51.6 million was contributed in 2016 based on 2015 results.

Note 18 - List of subsidiaries

T Klaveness Shipping AS comprises several subsidiaries. Presented below is a list of all subsidiaries, all of the companies are shipowning companies.

Company name	Ownership interest per 31 Dec 2016	Ownership interest per 31 Dec 2015
Banasol Inc* (Liberia)	50 %	50 %
Cabu Bangor Inc. (Liberia)	100 %	100 %
Banastar Inc.* (Liberia)	50 %	50 %
Cabu V Investment Inc. (Liberia)	95 %	95 %
Cabu VI Investment Inc. (Liberia)	81 %	81 %
Baffin Shipping AS*	50 %	0 %
Ballard Shipping AS*	50 %	0 %

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

Note 19 - Transactions with related parties

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

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

Klaveness AS delivers services to the Group performed by corporate functions like management, legal, accounting & controlling, risk management, commercial management. For the newbuildings in the Group, Klaveness AS performs supervision and project management services .

Klaveness Ship Management AS (KSM) delivers ship management services for all of the vessels in the Group. Ship management fees include services like technical management, crewing management, IT and energy management.

USD'000

Supplier	Type of agreement	2016	2015
Klaveness AS (related company)	Accounting fee and other adm fee	132	90
Klaveness AS (related company)	Commercial management fee	1 016	1 851
Klaveness Shipping Shanghai (related company)	Other administration fee	185	-
Klaveness Ship Management AS (related company)	Ship Mangement fee	2 040	2 025

Note 20 - Contingent liabilities

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

Note 21 - Events after the balance sheet date

The loan facility for MV Bantry was refinanced in March 2017 (note 14).

There has not been any other subsequent events with effect on the financial statement as of 31 December 2016.

T Klaveness Shipping AS

Income Statement

USD '000	Note	Year ended 31 December 2016	2015*
Continuing operations			
Operating revenue, vessels		7 968	9 184
Gain from sale of fixed assets	Note 2	300	-
Total operating revenue		**8 268**	**9 184**
Operating expenses, vessels	Note 3	(3 830)	(5 075)
Loss from sale of assets	Note 2	(889)	(93)
Ordinary depreciation	Note 7	(3 970)	(3 371)
Impairment loss (-) / reversal	Note 7	(3 170)	(4 300)
Tonnage tax	Note 6	(80)	(65)
Group administrative services	Note 17	(748)	(1 184)
Other operating and administrative expenses	Note 4	485	(232)
Total operating expenses		**(12 201)**	**(14 320)**
Operating profit		**(3 933)**	**(5 136)**
Finance income	Note 5	19 976	4 181
Finance costs	Note 5	(1 778)	(2 663)
Profit/(loss) before tax from continuing operations		**14 265**	**(3 618)**
Income tax expenses	Note 6	449	(714)
Profit/(loss) after tax from continuing operations		**14 713**	**(4 332)**
Discontinued operations			
Profit/(loss) after tax from discontinuing operations	Note 1	26 727	21 650
Profit for the year		**41 440**	**17 318**

*Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

T Klaveness Shipping AS

Statement of Other Comprehensive Income

USD '000	Note	2016	2015*
Profit of the year		**41 440**	**17 318**
Other comprehensive income to be reclassified to profit or loss		-	-
Net other comprehensive income to be reclassified to profit or loss		-	-
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		-	-
Other comprehensive income/(loss) for the period, net of tax		-	-
Total comprehensive income/(loss) for the period, net of tax		**41 440**	**17 318**

*Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

T Klaveness Shipping AS

Balance Sheet Statement

USD '000	Note	As at 31 December 2016	2015*
ASSETS			
Non-current assets			
Vessels	Note 7	54 100	20 668
Newbuilding contracts	Note 8	16 153	45 526
Investments in subsidiaries	Note 9	44 713	38 208
Other long-term receivables	Note 10	15 000	1 060
Total non-current assets		**129 966**	**105 462**
Current assets			
Inventories		148	474
Accounts receivable		-	3 678
Receivables from related parties	Note 10	17 970	1 484
Other short-term receivables		2 194	5 189
Cash and cash equivalents	Note 11	52 716	48 483
Total current assets		**73 029**	**59 308**
Assets held for sale	Note 1	-	163 730
TOTAL ASSETS		**202 995**	**328 500**

*Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

T Klaveness Shipping AS

Balance Sheet Statement

USD '000	Note	2016	2015*
		As at 31 December	
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 17 Group	190	227
Share premium		41 608	52 043
Other paid-in capital		-	9
Retained earnings		125 830	205 619
Total equity		**167 629**	**257 898**
Non-current liabilities			
Deferred tax	Note 6	-	462
Interest bearing debt	Note 14	29 823	15 429
Financial liabilities	Note 11 Group	1 066	1 968
Total non-current liabilities		**30 889**	**17 859**
Current liabilities			
Short-term interest bearing debt	Note 14	2 467	869
Current debt to related parties	Note 16	547	1 241
Tax payable	Note 6	0	1 412
Tonnage tax payable	Note 6	72	116
Other current liabilities		1 390	2 833
Total current liabilities		**4 477**	**6 471**
Liabilities directely associated with the assets held for sale	Note 1	-	46 271
TOTAL EQUITY AND LIABILITIES		**202 995**	**328 500**

*Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

Oslo, 31 December 2016
Oslo, 29 March 2017

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board member

Morten Skedsmo
Board member

Engebret Dahm
Managing Director

T Klaveness Shipping AS

Statement of Changes in Equity

	Attributable to equity holders of the parent				
	Share capital	Share premium	Other paid in capital	Retained earnings	Total
Equity at 1 January 2015*	**227**	**52 043**	**9**	**188 302**	**240 580**
Profit (loss) for the year				17 318	17 318
Other comprehensive income for the year				-	-
Total comprehensive income for the year				**17 318**	**17 318**
Equity at 31 December 2015	**227**	**52 043**	**9**	**205 620**	**257 898**
Profit (loss) for the year				41 440	41 440
Other comprehensive income for the year				-	-
Total comprehensive income for the year				**41 440**	**41 440**
Capital decrease	(37)			(79 963)	**(80 000)**
Group contribution		(10 435)	(9)	(41 192)	**(51 636)**
Adjustment prior year				(75)	**(75)**
Equity at 31 December 2016	**190**	**41 608**	**-**	**125 830**	**167 629**

* Restated to reflect effect from merger in comparative figures - ref note 19 for further information.

T Klaveness Shipping AS

Statement of Cash Flows

USD '000	Note	2016	2015*
Profit before tax from continuing operations		14 265	(3 618)
Profit before tax from discontinuing operations*		26 727	21 650
Tonnage tax expensed		80	114
Loss/ (gain) on sale of fixed assets	Note 2	(25 651)	2 863
Ordinary depreciation	Note 6	3 970	13 904
Impairment loss/ reversal	Note 6	3 170	1 347
Amortization of upfront fees bank loans		80	96
Change in provisions		(500)	-
Financial derivatives unrealised loss / gain (-)		(721)	1 226
Gain / (loss) on foreign exchange		-	43
Interest income	Note 4	(640)	(1 480)
Interest expenses	Note 4	612	351
Tax paid for the period		(1 528)	(935)
Share of profit/dividends from subsidiaries	Note 4	(17 993)	(3 248)
Change in current assets		5 978	2 215
Change in current liabilities		(1 636)	401
Change in other accruals		190	171
Interest received	Note 4	640	1 480
A: Net cash flow from operating activities		**7 041**	**36 580**
Acquisition of tangible assets	Note 6	(1 586)	(2 379)
Installments and cost on newbuilding contracts	Note 8	(64 844)	(23 580)
Sale of vessels and newbuildings contracts	Note 1	228 390	-
Received dividends from subsidiaries		17 993	-
Loans to related parties		(13 940)	4 596
Capital increase in subsidiaries		-	-
B: Net cash flow from investing activities		**166 014**	**(21 363)**
Proceeds from borrowings	Note 14	36 475	63 104
Repayment of borrowings	Note 14	(76 847)	(53 713)
Transaction costs on issuance of loans		-	(1 378)
Interest paid	Note 4	(355)	(351)
Capital decrease		(80 000)	
Group contribution/dividends paid to equity holders		(41 594)	-
Capital to subsidiaries		(6 500)	-
C: Net cash flow from financing activities		**(168 822)**	**7 662**
Change in liquidity in the period (A + B + C)		4 233	22 879
Net foreign exchange difference			(8)
Net change in liquidity in the period		**4 233**	**22 872**
Cash and cash equivalents at beginning of period		48 483	25 611
Cash and cash equivalents at end of period	Note 11	52 716	48 483
Net change in cash and cash equivalents in the period		**4 233**	**22 872**

*) Net cash flow from operating/investment/financing activities includes discontinued operation, see note 1.

BASIS OF PREPARATION

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

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

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

In 2016, a merger of Klaveness Selfunloaders AS (100% subsidiary) and T. Klaveness Shipping AS took place. For accounting purposes the merger is in accordance with the Group accounting principles for Group restructuring, accounted for at continuity with retrospective effect.

DIVIDEND INCOME/GROUP CONTRIBUTION

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

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

SHARES IN SUBSIDIARIES

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

USE OF ESTIMATES

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

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

Note 1 - Discontinued operations

The five selfunloader vessels were sold in November 2015 and delivered to their new owners in January 2016. A gain of USD 26.2 million was recognized in 2016.

Profit after tax from discontinued operation is presented separately in the consolidated income statement for 2016 and 2015. Booked value of the five selfunloader vessels and liability related to financing of the selfunloader vessels are presented on a seperate line in the financial position as of 31 December 2015. Outstanding amount (USD 46.2 mill) on the revolving credit facility (RCF) with DNB/SEB (USD 75 mill) was repaid in January 2016. The total result of discontinued operation for the year are presented below:

USD '000	2016	2015
Operating revenue, vessels	1 060	47 500
Gain from sale of vessels	26 240	-
Total operating revenue	27 300	47 500
Operating expenses, vessels	(422)	(16 195)
Loss from sale fixed assets	-	-
Ordinary depreciation	-	(10 533)
Impairment	-	2 953
Tonnage tax	-	(51)
Other operating and adm expenses	(79)	(825)
Operating profit/EBIT	**26 799**	**22 850**
Finance income	-	-
Finance costs	(72)	(1 200)
Profit/(loss) before tax	**26 727**	**21 650**
Income tax expenses	-	
Profit/(loss) after tax from discontinued	**26 727**	**21 650**

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

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

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

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

USD '000	2016	2015
Net cash flow from operating activities	-	25 589
Net cash flow from investment activities	190 000	(718)
Net cash flow from financing activities	(46 271)	46 067

Note 2 - Gain/(loss) sale of newbuilding contracts

USD '000	2016	2015
Gain sale of newbuilding contracts	300	-
Loss sale of newbuilding contracts	(889)	(93)

Gain sale of newbuilding contracts relates to finalizing of sale bulk options from 2013.

Loss from sale of newbuilding contracts of USD 0.9 million relates to sale of the newbuilding contracts MV Baffin and MV Ballard. As all major rights and responsibilities of the newbuilding contracts was transferred to the new owners, loss is recognised for both contracts in 2016, see note 8 for more information.

Note 3 - Operating expenses

USD '000	2016	2015
Technical expenses	1 245	1 028
Crew costs	1 467	1 032
Insurance	145	(101)
Crewing agency fee to Klaveness Ship Management AS	114	76
Management fee to Klaveness Ship Management AS	363	245
Other operating expenses	495	2 794
Total operating expenses	**3 830**	**5 075**

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

Note 4 - Other operating and administrative expenses

The company has no employees and has thus no wage expenses or pension liabilities. Services included management, technical commercial and crewing are acquired from other companies within Rederiaksjeselskapet Torvald Klaveness (RASTK) Group, see note 17. The managing director and members of the Board of Directors are employees of other companies within RASTK. No special remuneration has been paid to the various members of the Board of Directors, because such positions of office are a part of

Remuneration to the auditor

USD'000	2016	2015
Statutory audit	47	44
Other assurance services	2	20
Total expensed audit fee	**49**	**63**

Auditor's fee are stated excluding VAT.

Note 5 - Finance income and finance costs

USD'000	2016	2015
Income from investments in subsidiaries	17 993	3 248
Interest received from related parties	113	-
Other interest income	528	-
Other financial income	621	890
Changes in market value financial instruments	721	-
Gain / (loss) on foreign exchange	-	43
Total finance income	**19 976**	**4 181**

USD'000	2016	2015
Interest expenses mortgage debt	612	351
Changes in market value financial instruments	-	1 226
Other financial expenses	47	1 086
Gain / (loss) on foreign exchange	1 119	-
Total finance costs	**1 778**	**2 663**

Note 6 - Taxes

Tonnage tax
The company is subject to the tonnage tax regime and is exempt from ordinary tax on its shipping income. The companies within this system have to pay a tonnage fee based on the size of the vessels. The fee is recognized as an operating expense. Financial income is taxed according to the ordinary Norwegian exemption model, and it is only a portion of the interest and currency expenses that gives the right to tax deductions.

Ordinary taxation
The ordinary rate of corporation tax in Norway is 25 % for 2016 (2015: 27 %).

USD '000 A. TAX EXPENSE	2016	2015
Tax payable	0	1 412
Adjustment of provision for tax	13	4
Elimination of discontinued operations	-	(290)
Change deferred tax / deferred tax asset	(462)	(413)
Total tax expense/(income) reported in the income statement	**(449)**	**714**
Tax effects in other comprehensive income	-	-
Deferred tax charged to OCI	-	-

B. CALCULATION OF TAX BASIS - TAX PAYABLE	2016	2015
Pre-tax profit	40 991	18 032
Profit from shipping operations	(40 665)	(17 101)
Net financial items according to calculation in section B.1	326	931
Use of tax losses carried forward	(1 942)	-
Exchange rate adjustment temporary differences	1 616	4 300
Tax basis for the year	0	5 231
Tax payable	**0**	**1 412**
Tonnage tax (included in operation profit)	72	116
Total tax payable in the balance sheet	**72**	**1 528**

B.1.1 CALCULATION OF PROPORTIONAL DEDUCTION OF INTEREST EXPENSE / FOREIGN CURRENCY LOSSES

- figures calculated from NOK to year end currency rate

Calculation of share of total financial assets for T KLAVENESS SHIPPING AS	At January 1, 2016	At December 31, 2016	Average
Share of financial assets in Banastar, Inc.	622	622	622
Share of financial assets in Banasol, Inc.	971	971	971
Share of financial assets in Cabu Bangor, Inc.	2 582	2 582	2 582
Share of financial assets in Cabu V Investment, Inc.	2 000	2 000	2 000
Share of financial assets in Cabu VI Investment, Inc.	1 188	1 188	1 188
Financial assets T KLAVENESS SHIPPING AS	75 952	88 074	82 013
Total financial assets of the company, including underlying companies	83 314	95 436	89 375
Total capital in T KLAVENESS SHIPPING AS	251 735	189 208	220 472
Share of financial assets (in %)	33,10 %	50,44 %	40,54 %

Calculation of proportional deduction for interest expenses / foreign currency losses	2016
Actual interest expenses recorded in the profit and loss account	(1 022)
Capitalized interests	(1 245)
Interest expense on tax payable	6
Interest expense subject to proportional distribution	(2 260)
Calculated proportion of interest expenses for deduction in tax income 40,54%	**(916)**
Foreign currency losses / recorded in the profit and loss account	-1 119
Calculated proportion of currency gain/ loss for increase/ decrease in tax income 40,54 %	**-453**

B.1.2 CALCULATION OF NET FINANCIAL ITEMS

Financial income and expenses recorded in the profit and loss account	2016	2015
Interest income from Group companies	522	1 310
Other interest income	528	177
Other financial income	621	890
Interest expense according to proportional calculation	(916)	(607)
Other financial expenses	(47)	(862)
Foreign currency loss according to proportional calculation	(453)	23
Change in temporary differences associated with:		
* Interest rate swaps/provisions	**71**	-
Net financial items	**326**	**931**

Note 6 - Taxes cont.

B.2 CALCULATION OF INCREASE IN INCOME DUE TO HIGH EQUITY

- figures calculated from NOK to year end currency rate	At January 1, 2016	At December 31, 2016	Average
Total capital T Klaveness Shipping AS	251 735	189 208	220 472
Adjustment, book value in underlying companies	(122 449)	(35 763)	(79 106)
Total capital Banastar, Inc.	7 894	6 470	7 182
Total capital Banasol, Inc.	8 601	6 226	7 414
Total capital Cabu Bangor, Inc.	17 081	13 256	15 169
Total capital Cabu V Investment, Inc.	22 910	17 152	20 031
Total capital Cabu VI Investment, Inc.	21 047	17 051	19 049
A) Total, adjusted assets	206 819	213 602	210 210
Liabilities in T Klaveness Shipping AS	31 701	46 193	38 947
Liabilities Banastar, Inc.	4 022	3 340	3 681
Liabilities Banasol, Inc.	4 410	3 342	3 876
Liabilities Cabu Bangor, Inc.	6 384	5 300	5 842
Liabilities Cabu V Investment, Inc.	13 220	11 075	12 148
Liabilities Cabu VI Investment, Inc.	10 571	9 345	9 958
B) Total, adjusted liabilities	70 307	78 594	74 451
C) 30% of average assets (A*30%)			63 063
Average equity above 70% C - B			(11 388)
Increase in income due to high equity - Prescribed interest rate on positive amount		1,30 %	-

C. RECONCILIATION OF NOMINAL AND ACTUAL TAX RATES:

	2016	2015
Profit before tax	40 991	18 032
Nominal tax rate	25 %	27 %
Calculated tax payable on pre-tax profit using the nominal taxation rate	10 248	4 869
Tax effect, profit from shipping operations	(10 166)	(4 617)
Tax effect, change in temporary differences, long-term	(710)	(666)
Tax effect, change of taxation rate from 25 % to 24 % (27% to 25%)	(19)	(19)
Tax effect, exchange rate adjustment	186	733
Tax effect, deferred tax asset not recorded	-	700
Adjustment of provision for tax	13	4
Elimination of discontinued operations	0	-290
Tax effect, income increase due to high equity	0	0
Tax expense	**-449**	**714**
Effective tax rate	-1,09 %	3,96 %

Note 6 - Taxes cont.

Specification of the tax effect of temporary differences

D. DEFERRED TAX / (DEFERRED TAX ASSET) USD'000	Status at Jan 1, 2016	Change	Status at Dec 31, 2016	Tax effect at Dec 31, 2016 24 %	Status at Dec 31, 2015	Tax effect at Dec 31, 2015 25 %
Foreign currency loan	3 816	(3 816)	-	-	3 816	954
Provision for loss on interest rate instrument	(1 968)	903	(1 066)	(256)	(1 968)	(492)
Estimated, unpaid swap interest	-	71	71	-	-	-
Total temporary differences	1 848	(2 842)	(994)	(256)	1 848	462
Total temporary differences - before financial losses carried forward	**1 848**	**(2 842)**	**(994)**	**(256)**	**1 848**	**462**
Financial losses carried forward	(2 801)	1 942	(859)	(206)	(2 801)	(700)
Total temporary differences	**(953)**	**(900)**	**(1 853)**	**(462)**	**(953)**	**(238)**

Deferred tax / (deferred tax asset) recorded in the balance sheet	-		**462**
Change in deferred tax / (deferred tax asset)	**(462)**		**961**

Note 7 - Vessels

2016	Combination carriers	Total vessels*
Cost price 1.1	56 806	56 806
Delivery of newbuildings	38 788	38 788
Additions (mainly upgrading and docking of vessels)	1 586	1 586
Disposal	(940)	(940)
Costprice 31.12	**96 241**	**96 241**
Acc. depreciation 1.1	31 839	31 839
Depreciation for the year	3 970	3 970
Disposal	(940)	(940)
Acc. depreciation 31.12	**34 868**	**34 868**
Acc. impairment losses 1.1	4 300	4 300
Impairment for the year	2 972	2 972
Disposal	-	-
Acc. impairment losses 31.12	**7 272**	**7 272**
Carrying amounts 31.12.2016	**54 100**	**54 100**
No. of vessels	2	
Useful life	20	
Depreciation schedule	Straight-line	

2015	Combination carriers	Total vessels*
Cost price 1.1	56 798	56 798
Additions (mainly upgrading and docking of vessels)	8	8
Disposal	-	-
Costprice 31.12	**56 806**	**56 806**
Acc. depreciation 1.1	28 468	28 468
Depreciation for the year	3 371	3 371
Disposal	-	-
Acc. depreciation 31.12	**31 839**	**31 839**
Acc. impairment losses 1.1	-	-
Impairment for the year	4 300	4 300
Disposal	-	-
Acc. impairment losses 31.12	**4 300**	**4 300**
Carrying amounts 31.12.2015	**20 668**	**20 668**
No. of vessels	1	
Useful life	20	
Depreciation schedule	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 2.0 million (2015: USD 65k.)

Delivery of newbuildings
The combination carrier MV Balboa was delivered from Zhjiang OuHua Shipbuilindg Co. Ltd in China in September 2016.

Disposals of vessels
The five selfunloader vessels were sold and delivered to their new owners in January 2016. The selfunloader segment is presented as discontinued operation in 2015 and 2016 (see note 1).

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

Cabu carriers
Cash flow projections for the cabu vessels over the remaining economic life of the vessels show a net present value which is lower than booked value for one out of two of the company's combination carriers. Broker value is obtained, however valuation is based on standard dry bulk vessels so that specialized features of the cabu vessel are not taken into account. An impairment of USD 3.0 million has been recognized for Barcarena in 2016 (2015: USD 4.3 million).

A negative shift in the estimated TC rate from 2017 and onwards of USD 2 000 per day would result in impairments for Barcarena of USD 2.9 million and impairments for Balboa of USD 0.7 million, all other factors held constant. A 2.0 per cent point increase in the estimated cost of capital, from 8.5 % to 10.5 % would result in an impairment of USD 0.8 million for Barcarena.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**2016**	**2015**
Impairment of vessels	(2 972)	(4 300)
Impairment newbuildings (see note 8)	(198)	-
Total impairment loss (-) / reversal	**(3 170)**	**(4 300)**

Note 7 - Vessels

2016	Combination carriers	Total vessels*
Cost price 1.1	56 806	56 806
Delivery of newbuildings	38 788	38 788
Additions (mainly upgrading and docking of vessels)	1 586	1 586
Disposal	(940)	(940)
Costprice 31.12	**96 241**	**96 241**
Acc. depreciation 1.1	31 839	31 839
Depreciation for the year	3 970	3 970
Disposal	(940)	(940)
Acc. depreciation 31.12	**34 868**	**34 868**
Acc. impairment losses 1.1	4 300	4 300
Impairment for the year	2 972	2 972
Disposal	-	-
Acc. impairment losses 31.12	**7 272**	**7 272**
Carrying amounts 31.12.2016	**54 100**	**54 100**
No. of vessels	2	
Useful life	20	
Depreciation schedule	Straight-line	

2015	Combination carriers	Total vessels*
Cost price 1.1	56 798	56 798
Additions (mainly upgrading and docking of vessels)	8	8
Disposal	-	-
Costprice 31.12	**56 806**	**56 806**
Acc. depreciation 1.1	28 468	28 468
Depreciation for the year	3 371	3 371
Disposal	-	-
Acc. depreciation 31.12	**31 839**	**31 839**
Acc. impairment losses 1.1	-	-
Impairment for the year	4 300	4 300
Disposal	-	-
Acc. impairment losses 31.12	**4 300**	**4 300**
Carrying amounts 31.12.2015	**20 668**	**20 668**
No. of vessels	1	
Useful life	20	
Depreciation schedule	Straight-line	

*Carrying value of vessels includes dry-docking. Carrying amounts at year end of dry-docking was USD 2.0 million (2015: USD 65k.)

Delivery of newbuildings

The combination carrier MV Balboa was delivered from Zhjiang OuHua Shipbuilindg Co. Ltd in China in September 2016.

Disposals of vessels

The five selfunloader vessels were sold and delivered to their new owners in January 2016. The selfunloader segment is presented as discontinued operation in 2015 and 2016 (see note 1).

Impairment assessment

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

Cabu carriers

Cash flow projections for the cabu vessels over the remaining economic life of the vessels show a net present value which is lower than booked value for one out of two of the company's combination carriers. Broker value is obtained, however valuation is based on standard dry bulk vessels so that specialized features of the cabu vessel are not taken into account. An impairment of USD 3.0 million has been recognized for Barcarena in 2016 (2015: USD 4.3 million).

A negative shift in the estimated TC rate from 2017 and onwards of USD 2 000 per day would result in impairments for Barcarena of USD 2.9 million and impairments for Balboa of USD 0.7 million, all other factors held constant. A 2.0 per cent point increase in the estimated cost of capital, from 8.5 % to 10.5 % would result in an impairment of USD 0.8 million for Barcarena.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/ reversal	**2016**	**2015**
Impairment of vessels	(2 972)	(4 300)
Impairment newbuildings (see note 8)	(198)	-
Total impairment loss (-) / reversal	**(3 170)**	**(4 300)**

Note 8 - Newbuildings

The company has in 2016 sold the newbuilding contracts for MV Baffin and MV Ballard to the new established subsidiaries Baffin Shipping AS and Ballard Shipping AS. The Memorandum of Agreement (MoA) states that the newbuildings will be delivered directly from Zheijang Ouhua Shipbuilding Co. Ltd in China. The company also entered into a tripartite agreement with the yard, Baffin Shipping AS and Ballard Shipping AS and the contracts collectively transferred all major rights and responsibilities of the newbuilding contract to the subsidiaries.

The company took delivery of one cabu newbuilding (MV Balboa) from Zeijiang OuHua Shipbuilding Co. Ltd. in 2016.

The remaining three combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China will be delivered in 2018 and early 2019. The contract includes options for further vessels. Commitments related to newbuildings are presented in note 12.

The company's kamsarmax newbuilding was cancelled in 2015. Impairment of USD 0.2 million relates to prior years capitalized costs on the cancelled kamsarmax newbuilding.

2016

Investments in newbuildings	Combination carriers	Dry bulk investment	Total
Cost 1.1	45 328	198	45 526
Borrowing cost	1 245	-	1 245
Yard installments paid	59 266	-	59 266
Other capitalized cost	4 333	-	4 333
Reallocation of supervision fee	-	-	-
Sale of newbuiling contracts	(55 230)		(55 230)
Delivery of newbuildings	(38 788)	-	(38 788)
Impairment reclassed to vessels	-	(198)	(198)
Net carrying amount at 31.12.2016	**16 153**	-	**16 153**

2015

Investments in newbuildings		Combination carriers	Dry bulk investment	Total
Cost 1.1		21 946	2 942	24 888
Borrowing cost		618	-	618
Yard installments paid		21 462	-	21 462
Other capitalized cost		1 302	26	1 328
Impairment loss (-)/reversal		-	-	-
Sale of newbuilding contracts		-	(2 770)	(2 770)
Net carrying amount at 31.12.2015	-	**45 328**	**198**	**45 526**

Note 9 - Investments in subsidiaries

	Business office, country	Voting share/ ownership	Book value 31/12/2016	Book value 31/12/2015
Baffin Shipping AS	Oslo, Norway	50 %	6 502	-
Ballard Shipping AS	Oslo, Norway	50 %	2	-
Banasol Inc	Monrovia, Liberia	50 %	2 630	2 630
Banastar Inc	Monrovia, Liberia	50 %	1 679	1 679
Cabu Bangor Investment Inc	Monrovia, Liberia	100 %	12 784	12 784
Cabu V Investment Inc	Monrovia, Liberia	95 %	12 281	12 281
Cabu VI Investment Inc	Monrovia, Liberia	81 %	8 835	8 835
Investments in subsidiaries			**44 713**	**38 208**

Investments in subsidiaries are recorded at cost. Where a reduction in the value of shares is considered to be permanent and significant an impairment to net realisable value is recognized.

In 2016, a merger of Klaveness Selfunloaders AS (100% subsidiary) and T. Klaveness Shipping AS took place. For accounting purposes the merger is in accordance with the Group accounting principles for Group restructuring, accounted for at continuity with retrospective effect.

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

Note 10 - Receivables

USD'000	2016	2015
Klaveness Ship Holding AS	15 000	-
Cabu V Investment Inc	-	1 060
Other long-term receivables	**15 000**	**1 060**

Long-term receivables are defined as items that fall due later than one year after the close of the accounting year.

The loan from T Klaveness Shipping AS to Klaveness Ship Holding AS has a maximum limit of USD 30 million with a maturity until November 2018. Interests accumulates and is based on 3M LIBOR + margin.

USD'000	2016	2015
Klaveness Maritime Agency Inc	-	375
Baffin Shipping AS	1 155	-
Ballard Shipping AS	15 465	-
Klaveness Ship Management AS	6	15
Cabu Chartering AS	1 344	1 094
Short-term receivables to related parties	**17 970**	**1 484**

Short-term receivables are defined as items that fall due within one year.

Note 11 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2016	2015
Cash	28	147
Bank deposits, NOK	52	78
Bank deposits, USD	52 636	48 258
Total cash and cash equivalents	**52 716**	**48 483**

The company has no restricted cash.

Note 12 - Financial risk management

Capital management

Capital management of the company is overseen on Group level, see note 13 in the consolidated accounts of T Klaveness Shipping AS.

The company is exposed to operational risk, market risk (including, but not limited to currency risk, freight rate and vessel values), credit/counterparty risk and liquidity risk. The risks are further described in note 13 in the consolidated accounts of T Klaveness Shipping AS.

Foreign currency risk and interest rate risk

The company's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of the company. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies, but if there are significant transactions in other currencies, hedging is evaluated. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The company has long term interest bearing debt that is exposed to floating interest rate. The company had no interest rate hedges which qualify for hedge accounting at year end 2016. To reduce interest rate risk on the mortgage debt, the company holds some interest rate swaps twhich are recognised at fair value with changes in fair value recognised in income statement. Fair value of the financial instruments are negative USD 1.1 million at year end 2016 (2015: negative USD 2.0 million) (see note 11).

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

USD '000	Change in interest rate	2016	2015
USD LIBOR	+1,00%	176	626
	+ 0,5%	88	313
	-0,5%	(88)	(313)
	-1,00%	176	(626)

Counterparty/credit risk

Counterparty risk is generated by service deliveries to customers (CoA's) and risk related to the charterers of the vessels will not meet its obligations under the charter party contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables through the pool). The permitted exposure for each contractual partner is defined through a rating process in the risk department. The Group recognize claims to the extent the Group has legal right to insurance coverage or it is highly probable that the claim will result in cash inflows from the insurance company. Counterparty risk against insurance institutions exists.

Counterparty risk is related to intercompany balances and .

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

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its liabilities when they fall due. Liquidity risk is managed by the company's treasury department. The company keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits, cash flows and secured debt are considered sufficient for all needs in the forseeable future. The company's bank financing are subject to financial and non-financial covenant clauses, ref Group note 14.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments. Interest bearing debt includes interest payments. Due to the financial situation, debt maturity profile and liquidity reserve at year end, liquidity risk is considered to be low.

Maturity profile of financial liabilities at 31 Dec 2016	< 1 year	1-3 years	3-5 years	> 5 years	Total
Interest bearing debt (incl interests)	3 554	7 147	6 921	20 558	38 180
Accounts payable	139	-	-	-	139
Short-term debt to related parties	547				547
Total maturity profile	**3 693**	**7 147**	**6 921**	**20 558**	**38 867**

Commitments newbuildings

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

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

Note 13 - Fair value measurement

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

	Carrying amount		Fair value	
	2016	**2015**	**2016**	**2015**
Loans and receivables at amortised cost				
Long-term receivables	15 000	1 060	15 000	1 060
Accounts receivable	-	3 678	-	3 678
Short-term receivables from related parties	17 970	1 484	17 970	1 484
Other short-term receivables	2 194	5 189	2 194	5 189
Total loans and receivables	**35 165**	**11 411**	**35 165**	**11 411**
Cash and cash equivalents	**52 716**	**48 483**	**52 716**	**48 483**
Total	**87 881**	**59 894**	**87 881**	**59 894**
Total current	72 881	58 834	72 881	58 834
Total non-current	15 000	1 060	15 000	1 060

	Carrying amount		Fair value	
	2016	**2015**	**2016**	**2015**
Financial liabilities at fair value through P&L				
Swap agreements	1 066	1 968	1 066	1 968
Total financial liabilities at fair value	**1 066**	**1 968**	**1 066**	**1 968**
Financial liabilities at amortised cost				
Interest bearing debt	32 290	62 569	32 427	62 630
Accounts payable	140	553	140	553
Short-term debt to related parties	547	1 241	547	1 241
Total financial liabilities at amortised cost	**32 977**	**64 363**	**33 114**	**64 424**
Total	**34 043**	**66 331**	**34 180**	**66 392**
Total current	3 154	48 934	3 154	48 934
Total non-current	30 889	17 397	30 889	17 458

The fair value of the financial assets and liabilities is recognised as the value at which they could be exchanged in a transaction between willing parties other than in a forced or liquidation transactions. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:
- Cash and restricted cash, trade receivables, trade payables and other current liabilities are recognized at their carrying amounts largely due to the short term maturities of these instruments.
- The difference between carrying amount and fair value on interest bearing debt relates to amortised costs, and apart from that there are no significant difference between fair value and carrying amount. The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant.

The company uses financial hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques. Below table presents fair value measurements to the company's assets and liabilities. The company has no assets measured at fair value as of 31 December 2016 (2015).

31/12/2016 **Liabilities**	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 066		**1 066**

31/12/2015 **Liabilities**	Level 1	Level 2	Level 3	**Total**
Financial liabilities at fair value through profit or loss				
Interest rate swaps		1 968		**1 968**

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

The fair value of financial instruments that are not traded in an active market (for example over -the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity sepcific 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 is not based on observable market data, the instrument is included in level 3. During the reporting periods of 2015 and 2016, there were no transfers between any of the levels.

Note 14 - Interest bearing debt

The below table presents the company's carrying amount of interest bearing debt by non-current and current portions for year ended 31 December 2016 and 2015, respectively. All debt is denominated in USD and are subject to an interest rate of 3M LIBOR plus a margin of 2.0 %.

Capitalized financial expenses consist of up-front fee, commitment fee, legal costs etc. The fees are capitalized and depreciated over the tenor of the loan. As of 31 December 2016, the company had a total of USD 32.3 million in interest bearing debt (incl capitalized fees). An overview of the loan facilities in the company is presented below.

The term loan facility of USD 140 million is a joint borrowers agreement between T Klaveness Shipping AS (TKS) and Cabu Bangor Inc (subsidiary) to finance the vessels MV Barcarena (TKS), MV Balboa (TKS) and MV Bangor (Cabu Bangor Inc). As a consequnece of the sale of the newbuilding contracts for MV Baffin and MV Ballard the tranches related to these two vessels was carved-out from the USD 140 million term loan facility in 2016.The tranche for financing of MV Bavang (Klaveness Bulk AS) was repaid after the vessel was sold in 2016.

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

Interest bearing debt	Description	Maturity	Carrying amount	Fair value
Term loan - Barcarena/Balboa	Nordea/Danske Bank 140 mill	April 2022	32 359	32 427
Total interest bearing debt			32 359	32 427

2016 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	29 892	2 467	**32 359**
Transaction costs	(69)	-	**(69)**
Total interest bearing debt	29 823	2 467	**32 290**

2015 - Interest bearing debt	Non-current	Current	Total
Interest bearing debt	15 509	869	**16 378**
Transaction costs	(80)	-	**(80)**
Total interest bearing debt	15 429	869	**16 298**

The company has undrawn committed borrowing facilities available at delivery of the newbuildings as follows:

2016

USD'000	Credit	Drawn up	Available
Term loan facility - 3 Combi newbuildings	93 000	-	93 000

Covenants

See description in the consolidated accounts, Group note 15.

Securities

As security for the mortgage debt, the company has provided the bank with a first priority security in shares in some of the vessel owning companies owned by T. Klaveness Shipping AS, all vessels ,and earnings accounts and assignment of the earnings and

Book value of collateral, mortgaged and leased assets:	2016	2015
Vessels*	54 100	184 398
Total book value of collateral, mortgaged and leased assets	54 100	184 398

* Includes booked value of five selfunloader vessels owned by Klaveness Selfunloader AS (subsidiary).

Note 15 - Commitments and guarantees

Capital commitments

The company has capital commitments relating to borrowings and newbuildings, see note 12 for maturity profile for mortgage debt and commitments related to newbuildings.

Guarantees

A list of guarantees provided by the company at 31 December 2016 is presented in table below.

Guarantee to	Description	Amount
Danske Bank/Nordea	Senior Secured Term loan Facility Agreement related to MV Baffin and MV Ballard.	Max USD 34 mill. 50% of outstanding amount at any time + interest, expenses and exposure under derivatives
Danske Bank	Guarantee to lender for loan facility in Cabu V Investment Inc, related to the vessel MV Bantry.	USD 18.9 mill + interest
Nordea	T Klaveness Shipping AS and Cabu Bangor Inc are joint and several borrowers in the USD 140 million facility.	USD 32.4 million have been drawn by TKS and USD 5.1 million by Cabu Bangor as of 31 December 2016.
Ballard Shipping AS	T. Klaveness Shipping AS and EGD Shipholding AS (shareholders) have issued a letter of support where they have committed to provide the company with necessary capital to Ballard Shipping	Remaining installment of USD 21.1 million

Note 16 - Current liabilities related parties

Current liabilities related parties	2016	2015
Klaveness Ship Management AS	106	171
Cabu Chartering AS	-	150
Klaveness Ship Holding AS	-	921
Klaveness AS	405	-
Bulkhandling AS	36	-
Current liabilities related parties	**547**	**1 241**

Note 17 - Transactions with related parties

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

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

Klaveness AS delivers services to the company performed by corporate functions like management, legal, accounting & controlling , risk management and commercial management. For the newbuildings, Klaveness AS perform supervision and project management services for newbuilding contracts in process.

Klaveness Ship Management AS delivers ship management services for all of the vessels in the company. Ship Management fee include services like technical management, crewing management, IT fee and energy management.

USD'000

Supplier	Type of agreement	2016	2015
Klaveness AS (related company)	Accounting fee and other adm fee	61	43
Klaveness AS (related company)	Commercial management fee	507	1 169
Klaveness Ship Management AS (related company)	Ship Mangement fee	505	217
Group administrative services		**1 073**	**1 429**

Note 18 - Contingent liabilities

Regular claims are made against the company as a result of its ordinary operations. Provisions are made in the financial statements whenever the probable outcome of these disputes are expected to be in disfavour of the company.

Note 19 - Effects of merger

In 2016, the wholly owned subsidiary Klaveness Selfunloaders AS was merged into T. Klaveness Shipping AS. For accounting purposes the merger is in accordance with the Group accounting principles for Group restructuring, accounted for at continuity with retrospective effect. Accordingly the comparative figures are restated to reflect the activity of Klaveness Selfunloaders AS also in 2015. Effects for 2015 are presented below:

Income Statement for the twelve month period ended 31.12.2015

USD '000	T. Klaveness Shipping 2015	Klaveness Selfunloader AS 2015	Eliminations	Restated 2015
Continuing operations				
Operating revenue, vessels	9 184	-	-	9 184
Total operating revenue	**9 184**	**-**	**-**	**9 184**
Operating expenses, vessels	(5 075)	-	-	(5 075)
Loss from sale of assets	(93)	-	-	(93)
Ordinary depreciation	(3 371)	-	-	(3 371)
Impairment	(4 300)	-	-	(4 300)
Tonnage tax	(65)	-	-	(65)
Other operating and adm expenses	(1 416)	-	-	(1 416)
Operating profit/EBIT	**(5 136)**	**-**	**-**	**(5 136)**
Finance income	5 661	-	(1 480)	4 181
Finance costs	(2 663)	-	-	(2 663)
Profit/(loss) before tax from continuing operatic	**(2 138)**	**-**	**(1 480)**	**(3 618)**
Income tax expenses	(714)	-	-	(714)
Profit/(loss) after tax from continuing	**(2 852)**	**-**	**(1 480)**	**(4 332)**
Discontinued operations				
Profit/(loss) after tax from discontinuing	-	20 170	1 480	**21 650**
Profit for the year	**(2 852)**	**20 170**	**-**	**17 318**

Balance Sheet Statement as of 31.12.2015

USD '000	T. Klaveness Shipping 2015	Klaveness Selfunloader AS 2015	Eliminations	Restated 2015
ASSETS				
Non-current assets				
Vessels	20 668	-	-	20 668
Newbuilding contracts	45 526	-	-	45 526
Investments in subsidiaries	144 050	-	(105 842)	38 208
Other long-term receivables	1 060	-	-	1 060
Total non-current assets	**211 304**	**-**	**(105 842)**	**105 462**
Current assets				
Inventories	75	399	-	474
Accounts receivable	270	3 408	-	3 678
Receivables from related parties	30 319	385	(29 220)	1 484
Other short-term receivables	2 591	2 598	-	5 189
Cash and cash equivalents	41 624	6 859	-	48 483
Total current assets	**74 879**	**13 649**	**(29 220)**	**59 308**
Assets held for sale	-	163 730	-	163 730
TOTAL ASSETS	**286 183**	**177 379**	**(135 062)**	**328 500**

Note 19 - Effects of merger (cont.)

Balance Sheet Statement as of 31.12.2015

USD '000	T. Klaveness Shipping 2015	Klaveness Selfunloader AS 2015	Eliminations	Restated 2015
EQUITY AND LIABILITIES				
Equity				
Share capital	227	133	(133)	227
Share premium	52 043	64 094	(64 094)	52 043
Other paid-in capital	9	2 653	(2 653)	9
Retained earnings	211 833	32 748	(38 962)	205 619
Total equity	**264 112**	**99 628**	**(105 842)**	**257 898**
Non-current liabilities				
Deferred tax liability	462	-	-	462
Long-term interest bearing debt	15 429	-	-	15 429
Financial liabilities	1 968	-	-	1 968
Total non-current liabilities	**17 859**	**-**	**-**	**17 859**
Current liabilities				
Short-term mortgage debt	869	-	-	869
Current debt to related parties	1 070	171	-	1 241
Tax payable	1 412	-	-	1 412
Tonnage tax payable	65	51	-	116
Other current liabilities	797	2 038	-	2 833
Total current liabilities	**4 213**	**2 260**	**-**	**6 471**
Liabilities directely associated with the assets hel(	-	75 491	(29 220)	46 271
TOTAL EQUITY AND LIABILITIES	**286 183**	**177 379**	**(135 062)**	**328 500**

Note 20 - Events after the balance sheet date

There has not been any subsequent events with effect on the statutory accounts of the company as of 31.12.2016.

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of T Klaveness Shipping AS

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 29 March 2017
ERNST & YOUNG AS

Asbjørn Rødal
State Authorised Public Accountant (Norway)

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Joint Global Coordinators and Joint Bookrunners

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Clarksons Platou Securities AS
Munkedamsveien 62C
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Joint Bookrunner

SEB Corporate Finance
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Legal Adviser to the Company
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