

## LISTING PROSPECTUS



### **KLAVENESS COMBINATION CARRIERS ASA**

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

#### **Admission to listing on Oslo Børs of**

**Klaveness Combination Carriers ASA FRN Senior Unsecured NOK 700,000,000 Bonds 2020/2025**

**ISIN NO 0010874530**

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This prospectus (the "**Prospectus**") has been prepared in connection with the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**") of the Klaveness Combination Carriers ASA FRN Senior Unsecured Callable NOK 700,000,000 Bonds Issue 2020/2025 with ISIN NO 0010874530 (the "**Bonds**") issued by Klaveness Combination Carriers ASA ("**KCC**" or the "**Company**"), a public limited company incorporated under the laws of Norway (together with its consolidated subsidiaries, the "**Group**") pursuant to a bond agreement dated 7 February 2020 (the "**Bond Agreement**") between the Company and Nordic Trustee AS (the "**Bond Trustee**"). Trading in the Bonds on Oslo Børs is expected to commence on or about 25 May 2020 under the ticker code "KCC04".

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

**This Prospectus does not constitute an offer or an invitation to buy, subscribe or sell the securities described herein. This Prospectus serves as a listing prospectus as required by applicable laws, and no securities are being offered or sold pursuant to this prospectus.**

The date of this Prospectus is 22 May 2020

## IMPORTANT INFORMATION

This Prospectus has been prepared by the Company solely in connection with the listing on the Oslo Stock Exchange of the Bonds (the "**Listing**").

This Prospectus has been prepared by the Issuer in connection with the listing of the Bonds on the Oslo Stock Exchange and to comply with the Norwegian Securities Trading Act of 29 June 2007 no. 75, as amended (the "**Norwegian Securities Trading Act**") and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2014/71/EC, as amended, and as implemented in Norway in accordance with Section 7.1 of the Norwegian Securities Trading Act (the "**EU Prospectus Regulation**").

This Prospectus has been prepared solely in the English language and in accordance with the Norwegian Securities Trading Act, the EU Prospectus Regulation and the bond rules issued by Oslo Stock Exchange and comprises, inter alia, the information requested in (i) the checklist for registration documents applicable for Companies who issue non-equity securities (Annex 6) and (ii) the securities notes for retail non-equity securities (Annex 14).

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with article 23 of the EU Prospectus Regulation, significant new factors, or material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Bonds between the time of approval of this Prospectus by the NFSA and the listing of the Bonds on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Company's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is or has been authorized by the Company to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Bonds, and if given or made, such information or representation must not be relied upon as having been authorized by the Company.

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 Bonds in any jurisdiction. This Prospectus may not 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 of and observe any such restrictions. In addition, the Bonds may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

The content of this Prospectus is not to be construed as legal, credit, business or tax advice. Each investor should consult its own legal, credit, business or tax advisor as to a legal, credit, business or tax advice. In making an investment decision, investors must rely on their own examination of the Company and the Bonds, including the merits and risks involved.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo District Court (No. *Oslo tingrett*) as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

All Sections of the Prospectus should be read in context with the information included in Section 4 "General Information". For the definition of certain capitalised terms used throughout this Prospectus, see Section 11 "Definitions and Glossary of Terms".

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## **1 SUMMARY**

This prospectus summary (the "**Summary**") has been prepared in accordance with Article 7 of the EU Prospectus Regulations, setting out the key information that investors need in order to understand the nature and the risks of the Issuer and the Bonds, and is to be read together with the other parts of this Prospectus to aid investors when considering whether to invest in the Bonds.

### **1.1 Introduction and warnings**

#### *1.1.1 The name and international securities identification number (ISIN) of the Bonds*

This Prospectus relates to the Klaveness Combination Carriers ASA FRN Senior Unsecured Bonds 2020/2025 with ISIN NO 0010874530

#### *1.1.2 The identity and contact details of the Issuer, including its legal entity identifier (LEI)*

Klaveness Combination Carriers ASA with business registration number 920 662 838, registered office at Drammensveien 260, NO-0283 Oslo, Norway and LEI code 549300XAKTM2BMKIPT85.

#### *1.1.3 The identity and contact details of the person asking for admission to trading on a regulated market*

The Issuer is the same person as the person asking for admission to trading on the Oslo Stock Exchange.

#### *1.1.4 The identity and contact details of the competent authority approving the Prospectus*

The competent authority approving the Prospectus is the Financial Supervisory Authority of Norway, business registration number 840 747 972, and registered office at Revierstredet 3, 0107 Oslo, Norway.

#### *1.1.5 The date of approval of the Prospectus*

This Prospectus was approved by the Financial Supervisory Authority of Norway on 22 May 2020.

#### *1.1.6 Applicable warnings*

- (i) This Summary should be read as an introduction to the Prospectus;
- (ii) Any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole by the investor;
- (iii) An investment in the Bonds involves inherent risk. Before making an investment decision, investors should carefully consider the risk factors and all information contained in the Prospectus, including the Financial Information. An investment in the Bonds 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, as all the invested capital can be lost;
- (iv) Where a claim relating to the Bonds or the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated;
- (v) Civil liability attaches only to those persons who have tabled the Summary including any translation thereof, but only where the Summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where 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 the Bonds;
- (vi) As an investment product the Bonds are not simple and may be difficult to understand.

### **1.2 Key information on the Issuer**

#### *1.2.1 Who is the Issuer of the Bonds?*

The Company is a Norwegian public limited liability company organised and existing under the laws of Norway pursuant to the Norwegian Public Limited Companies Act with registration number 920 662 838 and LEI code 549300XAKTM2BMKIPT85. The Company was incorporated on 23 March 2018.

The Company is the leading, global owner and operator of combination carriers. The Company's fleet consists of 17 vessels (including newbuilds) that on a consecutive basis switches between transporting tanker and dry bulk cargo. The vessels are employed in trades where standard dry bulk and tanker vessels sail empty (sail in ballast) over long distances due to trade imbalances. Most of the time, the combination carriers combine a tanker cargo in one direction and a dry bulk cargo on the return voyage with minimum ballast in-between. By replacing the less efficient standard tankers and

dry bulk vessels, the combination carriers reduce carbon emissions per transported tonne-mile by 30-40% in KCC's main trade lanes.

#### 1.2.1.1 The Issuer's major shareholders

Set out below is an overview of shareholders owning 5% or more of the shares in the Company:

#	Name of shareholder	Number of Shares	%
1	Klaveness Ship Holding AS	25 845 950	53.82%
2	EGD Shipholding AS	8 805 128	18.33%
	<b>Total top 2 shareholders:</b>	34 651 078	72.15%
	Other:	13 375 922	27.85%
	<b>Total shareholders:</b>		<b>100.00%</b>

#### 1.2.1.2 The identity of the Issuer's key managing directors

As at the date of this Prospectus, the Company's key management team consists of the following two individuals:

Name	Position	Served since
Engebret Dahm	CEO	January 2015
Liv Hege Dynes	CFO	February 2017

#### 1.2.1.3 The identity of the Company's statutory auditors

The Company's independent auditor is Ernst & Young AS (EY), 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).

#### 1.2.2 What is the key financial information regarding the Issuer

The summary of selected consolidated financial data below present data extracted from the Group's annual financial statements for 2019 and 2018. The presented data is in accordance with IFRS as endorsed by the European Union.

As the Group was reorganised in March 2018 with the Company 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. The consolidated financial statements for KCC provides a fair view of the historical financial information for the combination carrier business.

The Company 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).

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.

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.

The selected historical consolidated financial information for the Group set out below should be read in conjunction with the Financial Information in the Prospectus.

Consolidated income statement:

<i>In USD '000</i>	Year ended 31 December 2019 <b>(audited)</b>	Year ended 31 December 2018 <b>(audited)</b>
Operating profit/loss before depreciation	25 763	30 757
Operating profit/loss after depreciation	11 692	13 917
Profit/loss after tax	597	8 836

Consolidated balance sheet:

<i>In USD '000</i>	Year ended 31 December 2019 <b>(audited)</b>	Year ended 31 December 2018 <b>(audited)</b>
Net interest-bearing debt	165 253	57 855
Current ratio	2.14	4.46
Debt to equity ratio	1.15	0.87
Interest cover ratio	1.17	2.00

Consolidated cash flow statement

<i>In USD '000</i>	Year ended 31 December 2019 <b>(audited)</b>	Year ended 31 December 2018 <b>(audited)</b>
Net cash flow from operating activities	31 873	27 920
Net cash flow from financing activities	(164 295)	(24 080)
Net cash flow from investing activities	101 587	30 713

The Prospectus does not contain any profit forecasts or estimates, or any pro forma financial information. The audit reports do not include any qualifications.

*1.2.3 What are the key risks that are specific to the Issuer*

Below is a brief description of the most material risk factors specific to the Issuer contained in the Prospectus:

- The Group relies on its vessels obtaining exemptions from clients and terminals to operate as CLEANBU vessels.
- Dependency on a limited number of customers and renewal of key/material contracts of affreightment
- The effects of the pandemic outbreak of the COVID-19 virus.
- Risks relating to failed delivery of and introduction of newbuilds.
- The Group is exposed to the highly cyclical nature of the dry bulk and product tanker shipping industriesThe Group is exposed to risks in current financing arrangements and risks relating to availability of future financing.
- The Group is subject to complex laws and regulations, including environmental laws and regulations, and such regulation is expected to intensify in the future

**1.3 Key information on the Bonds**

*1.3.1 What are the main features of the Bonds?*

The Bonds are senior unsecured bonds, electronically registered in dematerialized form with the Norwegian central securities depository, Verdipapirsentralen ASA, and with ISIN NO 0010874530. The Bond Issue is governed by the Norwegian law bond terms entered into on 7 February 2020 (the "**Bond Terms**") between the Issuer as issuer and Nordic Trustee AS as the bond trustee on behalf of the bondholders (the "**Bond Trustee**").

The Bonds are issued in Norwegian Kroner (NOK), each with an initial nominal amount of NOK 500,000. The initial amount of Bonds issued were NOK 500,000,000 within a maximum borrowing limit of NOK 700,000,000. The tenor of the Bond Issue is five (5) years, with Issue Date on 11 February 2020 and Maturity Date on 11 February 2025.

Each Bond will accrue interest at the rate of 3 months NIBOR plus 4.75 % p.a., and in addition the holders of the Bonds will have the right to require that the Issuer purchases all or some of the Bonds held by that bondholder at a price equal to 101.00 per cent. of the nominal amount in the event of a change of control in the Issuer.

The Bonds will constitute senior debt obligations of the Issuer. The Bonds will rank *pari passu* between themselves and will rank at least *pari passu* with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.

Subject to the restrictions set forth in Clause 11.1 and 11.2 of the Bond Terms, the Bonds are freely transferable and may be pledged. Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense. Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilise its voting rights under the Bond Terms.

The Bonds are unsecured and there are no guarantees or security attached to the Bonds.

#### *1.3.2 Where will the securities be traded?*

Pursuant to the Bond Terms the Issuer will apply for a listing of the Bonds on the Oslo Stock Exchange as soon as possible after the Prospectus has been approved by the Financial Supervisory Authority of Norway, and admission to trading of the Bonds is expected to commence on or a the approval of the Prospectus on 22 May 2020.

#### *1.3.3 What are the key risks that are specific to the Bonds?*

Below is a brief description of the most material risk factors specific to the Bonds:

- The Bonds are unsecured obligations of the Issuer and rank behind certain lenders.
- Default or insolvency with subsidiaries may affect the Issuer's ability to make payments and or redeem the Bonds at full or at all at the maturity date.
- The Bonds may be subject to optional redemption by the Issuer.
- In the event of a change of control, the Issuer's ability to repurchase the Bonds with cash may be limited.

### **1.4 Key information on the admission to trading on a regulated market**

#### *1.4.1 Under which conditions and timetable can I invest in the Bonds?*

The Bonds are freely transferable and have since the Issue Date on 11 February 2020 been available for trading on the secondary market through the Norwegian CSD.

Pursuant to the Bond Terms the Issuer will apply for a listing of the Bonds on the Oslo Stock Exchange as soon as possible after the Prospectus has been approved by the NFSA, and admission to trading of the Bonds is expected to commence on or about 25 May 2020.

#### *1.4.2 Who is the offeror and/or the person asking for admission to trading?*

The Issuer is the person asking for admission to trading of the Bonds.

#### *1.4.3 Why is this prospectus being produced?*

This Prospectus is being produced in connection with the Issuer's application for the admission to trading of the Bonds on Oslo Stock Exchange.

Furthermore, pursuant to Clause 4 of the Bond Terms, the Issuer shall within 6 months of 11 February 2020 apply for the Bonds to be listed on the Oslo Stock Exchange. As such, the application for admission to trading is put forward by the Issuer to satisfy the conditions of the Bond Terms.

- (i) The use and estimated net amount of the proceeds



The Issuer will use the net proceeds from the initial issuance of Bonds and any additional bonds for repurchase of bonds in the Issuer's existing FRN Klaveness Ship Holding AS Senior Unsecured Callable Bond Issue 2016/2021 with ISIN NO 0010779549 and ticker KCC03, as well as for general corporate purposes.

(ii) An indication of the most material conflicts of interest pertaining to the admission to trading

There are no material conflicts of interests pertaining to the admission to trading of the Bonds.

## **2 RISK FACTORS**

*An investment in the Bonds involves a high degree of financial risk. Potential investors should carefully consider all information in this Presentation, including the risks described below, before deciding to make an investment in the Bonds. If the risks materialise, individually or together with other circumstances, they may substantially impair the business of the Group and have material adverse effects on the Group's business prospects, financial condition or results of operations and the price of the Issuer's securities may decline, causing investors to lose all or part of their invested capital. As certain of the assets of the Group are held by the Issuer's subsidiaries, the risks associated with the group will also be relevant for the Issuer, and references to the "Group" shall mean the Issuer, its subsidiaries and the Klaveness Group in general. Although the order in which the risk factors are presented is intended to reflect the importance or likelihood of occurrence, no assurance or confirmation can be given in respect of the ultimate precision of the ranking, as this is, to a large extent, based on subjective assumptions about future occurrences. An investment in the Issuer is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of their investment. Furthermore, the risk factors presented herein are not exhaustive and other factors currently not known to the Issuer or which the Issuer currently does not deem to be material could also in the future have a material adverse effect on the Issuer.*

*The risks presented herein have been divided into six categories based on their nature. Within each category, the risk estimated to be the most material is presented first. However, the order in which the risk factors are presented after the first risk factor in each category is not intended to reflect either the relative probability or the potential impact of their materialization. The order of the categories does not represent any evaluation of the materiality of the risk within that category, compared to risks in another category.*

### **2.1 Risks related to the business of the Group**

#### *2.1.1 The Group relies on its vessels obtaining exemptions from clients and terminals to operate as CLEANBU vessels.*

Mainly due to cargo contamination concerns, many oil and petrochemical companies, traders and terminals in the clean petroleum products (CPP) business have internal policies that the last 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. If these exemptions are not maintained, the vessels can trade as pure tanker vessel or pure dry bulk vessels. The vessels can as well trade as combination carriers in the CABU trades carrying caustic soda solution on the wet leg, however, the size of this market is limited. 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.

#### *2.1.2 Risks during introduction of and failure to deliver newbuildings*

The Group took delivery of three CLEANBU newbuilds in 2019 and has five newbuilds on order. Introduction of new ship types or concepts like the CLEANBUs will normally require technical adjustments and modifications, which will take time and may lead to off-hire and delayed deliveries. There are outstanding guarantee items relating to two of the three CLEANBU vessels on water, implying additional off-hire. While the shipyard is obliged to bear the cost of repairs, additional related costs may incur. The third vessel on water and the subsequent five newbuildings under construction have no similar issues. The repairs of the two vessels will most likely be made in the period 2<sup>nd</sup> half 2020 to 1<sup>st</sup> half 2021. These guarantee items are not linked to the combination carrier concept or trading capabilities of the vessels and are not expected to impact the vessels performance until being rectified. In addition, there is risk of delays and failure by the yard to deliver. Tier-one Chinese banks have provided refund guarantees for five of the newbuilds, but the process to call on a refund guarantee might take time and expose the Group to significant expenses.

#### *2.1.3 Dependency on a limited number of customers and renewal of key/material contracts of affreightment*

The Group is, to a certain degree, dependent on a limited number of key customers and renewal of material contracts with these customers. The Group transports approximately 40% of caustic soda used in the alumina industry in Brazil and Australia. The caustic soda COA portfolio consists of contracts with 5-10 alumina companies and traders, and to be able to trade the CABU vessels efficiently in combination trades, the company is dependent on continuing to secure these COAs. In 2019, the five largest customers accounted for 56% of gross revenues. 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.

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 CLEANBU vessels are large oil and petrochemical companies and trading companies, many with investment grade ratings.

#### *2.1.4 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, changes in cargo sourcing patterns, etc., resulting in less combination trading or less efficient combination trading and unforeseeably have an adverse effect on the Group's earnings and financial position.

#### *2.1.5 The Group may face increased competition*

The combination carriers currently compete against standard dry bulk vessels and standard tanker vessels. These markets are highly competitive, and the combination carriers are price takers in both these markets. In order to trade the vessels in efficient combination patterns, the Group is dependent on continuing to be competitive in both these markets. 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 and 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 significantly reduce the earnings on the main trade lanes of the Group's vessels. The impact of such competition is significantly higher for the CABU vessels as the size of the caustic soda market is limited. Please see Section 5.3 "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.

#### *2.1.6 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/chemical tankers capable of shipping mainly caustic soda. The vessels can be sold as standard dry bulk vessels and/or product tankers. The vessels are contracted at a premium compared to a standard tanker or bulker vessel. The size of the premium depends on when in the market cycle the vessels are ordered. In the low part of the cycle, the premium is low as the yards have lower order backlog, while the premium is higher in high parts of the cycle. The CABU and CLEANBU vessels have all been ordered in low cycle environments. The full value of the vessels may however be difficult to realise through sale if the Company must realise in a situation where the Group is in financial distress, especially taking into account that few other shipping companies will be able to operate the vessels as combination carriers switching between wet and dry products.

#### *2.1.7 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, especially as the vessels operate in high-risk regions in which its vessels operate (such as South America, Middle East, South Asia and Far East). Such actions could include, 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 (as further described in Section 2.3.6 below) and reputational damage. 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.

#### *2.1.8 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. The Group has a Corporate Governance Policy adopted in relation to the listing of the Company's shares on Oslo Stock Exchange in May 2019. The policy includes appendices related to instructions to the Board of Directors, Nomination Committee, the CEO and the Audit Committee and internal routines and guidelines related to, inter alia, risk management, inside information and investor relations. In addition, the Group has decided that the Company's largest shareholder Torvald Klaveness' code of conduct shall apply to the Group's activities and employees are trained in the different aspects of the code and related policies on a regular basis. 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.

## **2.2 Risks related to the industry in which the Group operates and macroeconomic conditions**

### *2.2.1 The pandemic outbreak of the COVID-19 virus*

The situation related to the COVID-19 virus outbreak is at the time of this Prospectus still uncertain. As of the date of this prospectus, the direct effects for KCC's business are limited, while the Group has been indirectly impacted by negative effects in the dry bulk and fuel markets, while the tanker market has been very strong over the recent months. Further negative consequences may occur as a result of lower activity in shipping markets going forward as the outbreak has negatively impacted demand in the dry bulk, tanker and fuel markets in general. The COVID-19 outbreak has resulted in significant macroeconomic uncertainty and several operational issues. The duration and scale remain uncertain, but could have material impact on KCC's earnings and cash flow. However, it is not possible to quantify such effects for the time being.

The delivery of the next CLEANBU vessels will be delayed due to the COVID-19 virus. The shipyard has declared a force majeure situation for delays caused by the virus. While activity at the shipyard has resumed, the supervision team is not complete as per May 2020 due to the COVID-19 outbreak in Europe and in the Philippines. Agreements have been made with the shipyard to postpone delivery of the next CLEANBU newbuild for approximately four months until middle of July 2020. The four subsequent CLEANBU newbuilds have agreed delivery dates in August 2020-February 2021, but will likely be delayed by approximately 1-2 months. Delivery might be further delayed.

It is currently difficult to make crew changes and flag states/class have approved extended crew contracts. Likewise, the Company finds it difficult to get ship managers, service personnel and vetting inspectors on board. It has also been necessary to deviate vessels sometimes to get supplies on-board. So far these factors have had limited impact on the operation of the vessels and have had limited financial impact, however, it remains uncertain how this will develop going forward.

The Company is continuously assessing current and potential impact on crew, employees and operations. Initial mitigating actions have been implemented and further mitigating actions will be evaluated going forward. Strict virus protection routines have been implemented on board related to minimizing the number and contact with visitors from shore, no shore leave and strict hygiene routines.

### *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: low barriers to entry, highly fragmented market with many small market participants, and access to financing. The Group typically competes against standard MR and LR1 tankers on the wet leg and against Panamax/Kamsarmax vessels on the dry leg. 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.

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 KCC's vessels and a corresponding loss of revenues. Thus, the Group may suffer significant losses should the risk materialise.

#### *2.2.4 Fluctuation of bunker fuel prices and hedging of fuel price risk*

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, and the Group's results may suffer as a result should this risk materialise. However, the size and diversification of the Group's operations imply that the risk is relatively small over time.

#### *2.2.5 Acts of piracy on ocean-going vessels and regional conflicts 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. Conflicts and instability may in addition lead to economic downturn in these areas and operational challenges. The situation in the Persian Gulf/Gulf of Oman has in periods during 2019 been tense, however, the threat for merchant vessels is considered moderate by Den Norske Krigsforsikring for Skib ("**DNK**"). There has not been reported any approaches or boarding attempts in the Indian Ocean in 2019. The latest update from DNK shows that they expect the risk to decrease further due to the monsoon season and the current political situation in Somalia. The KCC vessels trade frequently in the Persian Gulf/Gulf of Oman. When trading in exposed areas, KCC's vessels have been instructed to take precautions.

If the Group's vessels are deployed in areas being characterized by insurers as "war risk" zones or Joint War Committee "War 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.

### **2.3 Risks related to regulations, disputes and litigation**

#### *2.3.1 The Group is subject to complex laws and regulations, including environmental laws and regulations, and such regulation is expected to intensify in the future*

The Group's operations are and will continue to be subject to numerous international and local laws, regulations, treaties and conventions, hereunder current International Maritime Organization conventions, in force in international waters and the jurisdictions in which its vessels operate or are registered, which can significantly affect the markets in which it operates and the ownership and operation of its vessels. It is expected that regulation of the Group's business operations will intensify significantly in the future, especially regulation relating to environmental preservation and protection.

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.

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 become 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 such 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.

Any 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.

*2.3.2 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 to which it is subject, such as the International Safety Management Code ("**ISM**") / Safety Management Certificate ("**SMC**") and the International Ship and Port Facility Security code ("**ISPS**") / International Ship Security Certificate ("**ISSC**"), it may be subject to increased liability, may invalidate existing insurance or decrease available insurance coverage for its affected vessels or be in breach with bank loan facilities and such failure may result in a denial of access to, or detention in, certain ports, which in turn may have a materially negative effect on the Group's results of operations.

*2.3.3 Compliance with safety and other vessel requirements imposed by classification societies may be costly*

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**").

The Group's vessels 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 expenses. 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.

*2.3.4 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 its vessels in a number of countries and regions (such as South America, Middle East, South Asia and Far East), 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 conduct and business ethics, as well as internal guidelines, which are designed to promote legal and regulatory compliance with such laws and regulations. However, either due to the Group's or other parties' acts or omissions, 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, breach of loan agreements 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 secondary market for the Bonds. 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 Norwegian and foreign laws and regulations and the Group's own policies prohibit it from using.

## **2.4 Risks related to financing**

### *2.4.1 Existing financial risk and availability of financing*

All vessels are partly financed by equity and partly by mortgage debt. The equity part of the investments has been secured and bank debt has been secured for the newbuilds with delivery in 2020. Credit approval for the bank debt related to the two vessels with delivery in 2021 has been obtained, however, this bank facility is subject to final documentation. Refinancing risk is related to mortgage debt that falls due in March 2022, December 2023 and mortgage debt and bond debt that falls due in the years thereafter. In addition, the Group has an overdraft facility of USD 10 million, which is funding working capital that is renewed annually, first time being in December 2020.

Any new sources of financing are subject to conditions in the credit markets, which are significantly volatile. There can be no assurance that the Group will be able to procure new financing/refinancing or that the terms of any new financing will be favourable. If the Group is unable to procure such financing or the terms of any new financing is less favourable, the results of its operations or its 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 capital markets and restrict the availability of debt and equity funding to support the Group's operations. The resultant lack of available credit and/or higher financing costs and more onerous terms may materially impact 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, currency fluctuations and hedging*

The bond debt is denominated in NOK, hence the commitment in USD under the bond debt agreement will be impacted by the USD/NOK exchange ratio. A large part of this exposure has been hedged, however, the impact on equity and on cash related to negative mark-to-market and clearing might negatively impact the cash position and solidity. The Group generates all revenue in U.S. dollars (USD), while a part of its administrative expenses are denominated in Norwegian Krone (NOK) and a portion of the ship operating and administrative expenses are denominated in currencies other than USD or NOK, e.g. Euro (EUR) and Australian dollars (AUD). This will lead to fluctuations in net income due to changes in the value of the USD relative to the other currencies, in particular the NOK and EUR. A weaker USD could lead to higher expenses payable.

The interest payments for bank debt are based on LIBOR plus 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. Negative mark-to-market on such instruments negatively impacts equity.

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 the Group's results.

The Group may in the future engage in other 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. There can be no assurance that the Group companies will be able to close out a position when deemed advisable.

*2.4.3 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 and regions worldwide (such as South America, Middle East, South Asia and Far East). 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 mainly 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.

## **2.5 Risks related to the Bonds**

*2.5.1 The Bonds are unsecured obligations of the Issuer and rank behind certain lenders*

The Bonds are unsecured obligations ranking at least on equal terms with all other unsecured obligations of the Issuer and ahead of subordinated debt. Thus, the Bonds will not have any security over any of the Issuer's assets or be guaranteed by any other entity. Additionally, the Bonds are in all material aspects subordinated certain other secured financial indebtedness of the Group, as permitted by the Bond terms. Because of the unsecured nature of the Bonds and other secured and structurally senior indebtedness of the Group, there is a risk that the bondholders' potential claims against the Issuer in an event of insolvency or liquidation may not be covered in full, partly or at all.

*2.5.2 Defaults or insolvency of subsidiaries*

Defaults by, or the insolvency of, certain subsidiaries of the Group could result in the obligation of the Group to make payments under parent company financial or performance guarantees in respect of such subsidiaries' obligations, or cause cross-defaults on certain borrowings of the Group. There can be no assurance that the Group and its assets would be protected from any actions by the creditors of any subsidiary of the Group, whether under bankruptcy law, by contract or otherwise.

*2.5.3 Bonds may be subject to optional redemption by the Company, which may have a material adverse effect on the value of the Bonds*

The terms and conditions of the Bond Agreement provides that the Bonds from and including the interest payment date falling in August 2024 are subject to voluntary early redemption by the Company at a price equal to 100.75% of the par value of the Bonds their outstanding principal amount, plus accrued and unpaid interest to the date of redemption. This feature is likely to limit the market value of the Bonds. During any period when the Company may choose to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Company may be expected to redeem the Bonds when its cost of borrowing is lower than the interest rate on the Bonds.

At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds and may not only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.



*2.5.4 The terms and conditions of the Bond Agreement allow for modification of the Bonds or waivers or authorizations of breaches and substitution of the Company which, in certain circumstances, may be affected without consent of the bondholders*

The Bond Agreement's Clause 15 contains provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority.

Nordic Trustee AS, as trustee on behalf of the bondholders, may without the consent of bondholders, agree to certain modifications of the Bond Agreement and other finance documents (as defined in the Bond Agreement) which, in the opinion of the Trustee, are proper to make.

*2.5.5 Enforcement of rights as a bondholder across multiple jurisdictions may prove difficult*

It may be difficult or impossible for Nordic Trustee as bond trustee on behalf of the bondholders to bring an action against the Group or the assets of the Group. Upon the occurrence of an event of default under the Bond Agreement's Clause 14.1, any enforcement proceedings could be subject to lengthy delays resulting in, inter alia, increased custodial costs, adverse tax consequences. The costs of enforcement in foreign jurisdictions, particularly if proceedings are ongoing simultaneously in different jurisdictions, can be high. Even if the bondholders are successful in bringing an action in these jurisdictions, local laws may prevent or restrict the bondholders from enforcing a judgment against the Group's assets or the assets of its officers.

*2.5.6 Change of control – the Company's ability to repurchase the Bonds with cash may be limited*

Upon the occurrence of a Change of Control Event (as defined in the Bond Agreement), each individual bondholder shall have the right to require that the company purchases the Bonds held by that bondholder at a price equal to 101% of the nominal amount. However, it is possible that the Company, should it be in a financially distressed situation, will have insufficient funds at the time of the Change of Control Event to repurchase the Bonds. The Company's failure to repurchase the Bonds would constitute an event of default under the Bond Agreement.

### **3 RESPONSIBILITY FOR THE PROSPECTUS**

Klaveness Combination Carriers ASA, with registered address Drammensveien 260, 0283 Oslo, Norway is responsible for the information contained in this Prospectus.

Klaveness Combination Carriers ASA hereby accepts responsibility for the information contained in this Prospectus and confirms 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 the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

22 May 2020

**Klaveness Combination Carriers ASA**

Engebret Dahm  
*Chief Executive Officer*

## **4 GENERAL INFORMATION**

### **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 the EU Prospectus Regulations, 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 Bonds 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 Presentation of financial and other information**

#### *4.2.1 Financial information*

The Company has prepared audited consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union as of and for the year ended 31 December 2019 and for the year ended 31 December 2018. The financial statements for 2019 and 2018 have been audited by EY and is incorporated into this Prospectus by reference.

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.

#### *4.2.2 Industry and Market Data*

To the extent not otherwise indicated, the information contained in this Prospectus on the market environment, market developments, growth rates, 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), 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 has been sourced from third-parties in this Prospectus, this 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 which would render the reproduced information inaccurate or misleading. The sources of such information has been identified throughout the Prospectus where used.

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.

### **4.3 Cautionary note regarding forward-looking statements**

This Prospectus may include 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 may appear, among other areas, in Section 5 "Business and market overview" and may 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 outlook 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;
- the expected growth and other developments of the industries in which the Group operates;
- the Company's planned investments;
- 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.

#### **4.4 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.

## **5 BUSINESS AND MARKET OVERVIEW**

### **5.1 Market overview**

#### *5.1.1 Introduction*

The earnings for the Group's combination carriers are driven by the global markets for (i) dry bulk, (ii) product tanker, and (iii) bunker fuel.

The CABUs have a capacity approximately equivalent to the carrying capacity of a Panamax bulk carrier on the dry leg and around 30% larger than MR product tanker on the caustic soda 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 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 CLEANBUs have a capacity of approximately 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**") as well as all types of dry bulk products. The CLEANBUs are strengthened to carry other heavy liquid cargoes such as CSS, UAN and molasses in three of the holds. In addition to the CABU trade lanes, the CLEANBUs are able to transport CPP into dry bulk export areas such as Australia and South America, while transporting dry bulk cargoes back into CPP loading areas such as US Gulf, Middle East, South Asia and Far East.

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.

#### *5.1.2 The dry bulk market*

The dry bulk shipping market deals 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. Trade of dry bulk commodities is affected both by the global and regional economic activities, as it follows economic, political, regulatory, and seasonal trends. 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 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 (72,500-82,500 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.

#### *5.1.3 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. 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. 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 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. 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 (Medium Range Product Carriers), which 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. 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.

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 are designed to facilitate easy and efficient cleaning when switching between cargoes. 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 dirty trade if the pricing premium in this market is sufficient to defend the cost of cleaning to later return to the CPP market.

#### 5.1.4 *The bunker fuel markets*

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**"). Demand and supply dynamics of the bunker fuel market are affected by various macro and shipping and oil market trends and developments, including, 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". The latest IMO regulation concerning sulphur limitation was passed in late October of 2016 and was entered 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**") reduced the sulphur content in fuel oil from 3.50% to 0.50% globally, while certain designated Emission Control Areas ("**ECAs**") remain at current 0.10%.

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 use 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. 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.

For shipowners burning VLSFO there was a challenge with availability and supply of compliant fuel (low sulphur distillate blends with <0.5% sulphur content) during the initial transition period of the new IMO 2020 regulations. After an initial supply squeeze where prices for compliant fuel increased substantially supply normalized and prices fell back. VLSFO is now considered to be readily available in most bunkering ports.

## 5.2 **Business overview**

### 5.2.1 *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. Currently, the Group owns nine CABUs, three CLEANBUs on water and five CLEANBUs on order with expected deliveries through 2020 and 2021, and four outstanding options falling due in 2020 and 2021 for four additional CLEANBU newbuilds 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 CLEANBUs have around 82,500 dwt carrying capacity. The CLEANBUs are both full-fledged LR1 product tankers and Kamsarmax bulk carriers transporting

clean petroleum products (CPP), heavy liquid cargoes such as CSS, UAN and molasses as well as all types of dry bulk products.

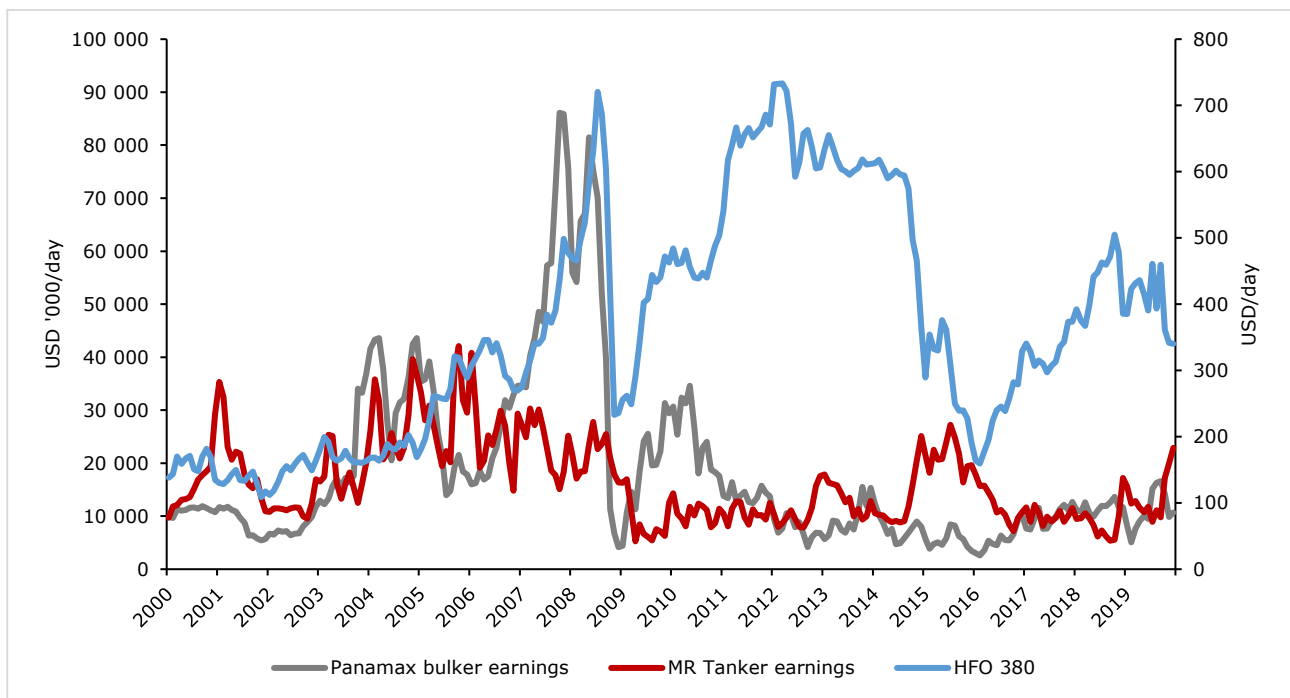
### 5.2.2 Corporate Strategy

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 1: 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 for the CABUs and to a certain degree for the CLEANBUs 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 derivatives, forward freight agreements (FFA), to hedge part of the freight exposure and uses bunker derivatives to hedge part of the bunker exposure. The Company will have an efficient set-up

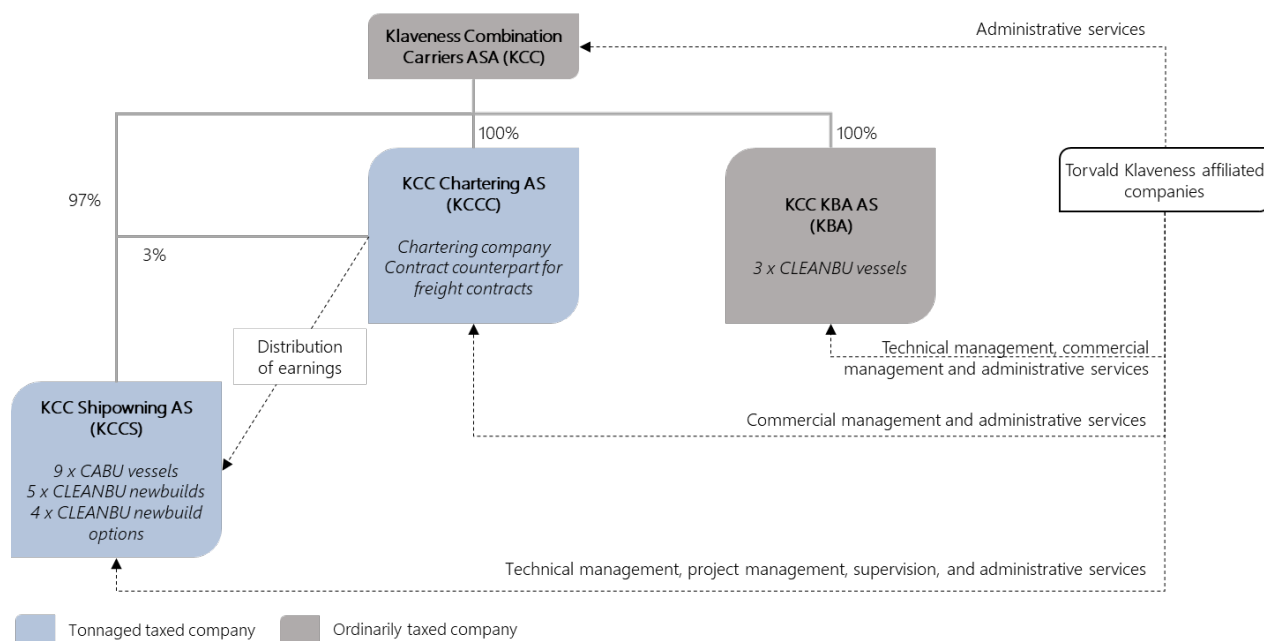
through services provided by Torvald Klaveness affiliated companies in addition to the five direct employees, including administrative services, commercial management, supervision and project management and technical management.

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 eight CLEANBUs on order or delivered in 2019 is on average USD 47.1 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.

### 5.2.3 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 2: 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.

**KCC Shipowning AS (KCCS):** KCCS is owned 97% directly by KCC and 3% through KCCC. Presently, KCCS owns all nine CABU vessels and five CLEANBU vessels on order, along with the four outstanding CLEANBU newbuilding options. KCCS is incorporated in Norway with the registration number 963 109 288.

**KCC Chartering AS (KCCC):** KCCC is a wholly-owned subsidiary of the Company. KCCC employs all the CABU vessels, acts as the counterparty in all freight contracts for the CABU fleet and on this basis distributes all net earnings to the KCCS CABU vessels as time charter hire. KCCC will also employ CLEANBU vessels. KCCC is incorporated in Norway with the registration number 984 094 280.

**KCC KBA AS (KBA):** KBA is a wholly-owned subsidiary of the Company. KBA currently owns three CLEANBU vessels. KBA has entered into time charter contracts with external trading companies for all three vessels. The CLEANBU vessels will be sold back to KCCS after the expiry of the external time charter contracts. KBA is incorporated in Norway with the registration number 912 477 983.



## 5.3 Business description

### 5.3.1 The fleet

Vessel	Type	Dwt <sup>1</sup>	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 Zhejiang, China	MI
MV Balboa	CABU	80,344	2016	Ouhua Zhejiang, China	NIS
MV Ballard	CABU	80,236	2017	Ouhua Zhejiang, China	MI
MV Baru	CLEANBU	82,425	2019	YZJ, China	MI
MV Barracuda	CLEANBU	82,396	2019	YZJ, China	MI
MV Barramundi	CLEANBU	82,447	2019	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 fleet consists of nine CABU vessels and three CLEANBU vessel on water, five CLEANBU vessels on order with expected deliveries through 2020 and 2021 from Jiangsu New YZJ in China. The nine CABUs are owned by KCC Shipowning AS (KCCS) while the three CLEANBUs are owned by KCC KBA AS.

All vessels owned by KCC Shipowning AS 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 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 approximately 1.75 years, with expiry at the end of 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.

KCC KBA AS employs vessels on time-charter contracts with duration of three months and beyond.





**The CABUs:** The CABU vessels 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:** The CLEANBU vessels are approximately 82,500 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





<sup>1</sup> 83,500 dwt stated in the newbuilding contracts for Newbuild #2-6. This is an approximate number, exact dwt known closer to delivery,

all types of dry bulk products. Seven CLEANBUs are under construction at Jiangsu New Yangzi Shipbuilding Co. Ltd. The three CLEANBU vessels on water were delivered during 2019 and the five CLEANBU vessel currently under construction is estimated to be delivered in the period 2020 - 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 and two in 2019. 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 options to build CLEANBUs with declaration expiry dates in 2020 and 2021.

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

Vessel	Vessel specifications:
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>

	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>

	<p>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 KBA AS  Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol, MV Baru, MV Barracuda and MV Barramundi. Final due date is December 2023.</p>
	<p>Vessel name: MV Barracuda  Type: CLEANBU  Yard: Jiangsu New YZJ  Built: July 2019, delivered to KCCS  DWT: 82,500  LOA: 228.40m  Beam: 34.50m  Place of registration: Marshall Islands  Vessel owning company: KCC KBA AS  Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol, MV Baru, MV Barracuda and MV Barramundi. Final due date is December 2023.</p>
	<p>Vessel name: MV Barramundi  Type: CLEANBU  Yard: Jiangsu New YZJ  Built: September 2019, delivered to KCCS  DWT: 82,500  LOA: 228.40m  Beam: 34.50m  Place of registration: Marshall Islands  Vessel owning company: KCC KBA AS  Financing terms: Part of a fleet facility consisting of MV Banastar, MV Banasol, MV Baru, MV Barracuda and MV Barramundi. Final due date is December 2023.</p>
	<p>Newbuild #4-#8  Type: CLEANBU  Yard: Jiangsu New YZJ  Built: 2020 and 2021, delivery to KCC Shipowning AS  DWT: 82,500  LOA: 228.40m  Beam: 34.50m  Place of registration: Marshall Islands  Vessel owning company: KCC Shipowning AS  Financing terms: NB 4, NB 5 and NB 6 are financed under a credit facility entered into in 2019. Bank facility for NB 7 and NB 8 credit approved, subject to final loan documentation.</p>

5.3.1 *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 end of April 2020 and is set out in figure 3-5 below.

Figure 3: CABU CSS contract volumes (2020-2021)

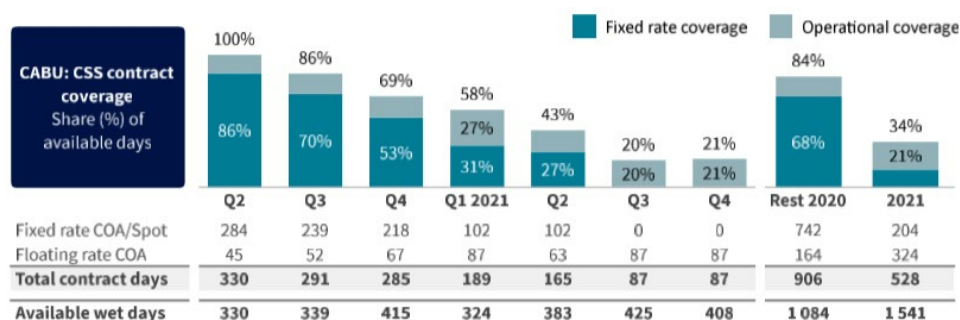


Figure 4: Total fleet dry contract volumes (2020-2021)<sup>2</sup>

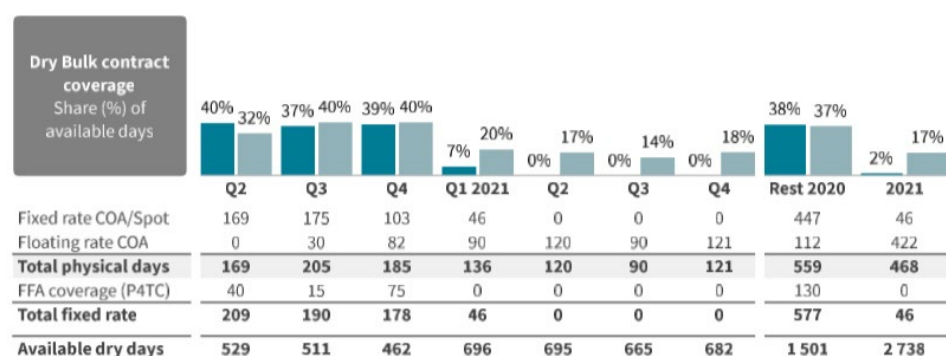
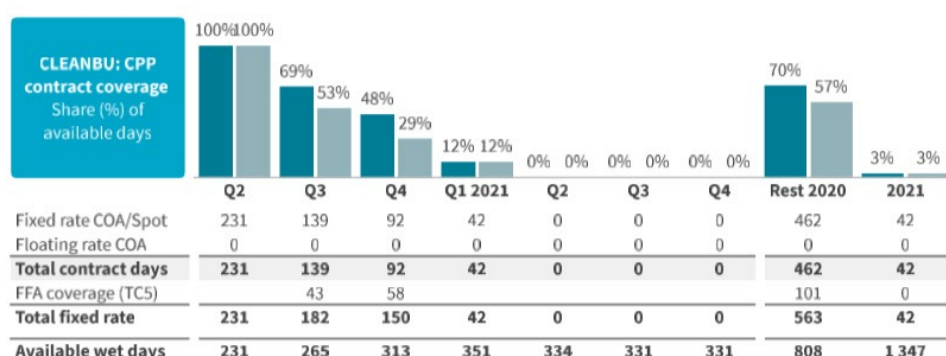


Figure 5: CLEANBU CPP contract volumes (2020-2021)<sup>3</sup>



The figures above shows the physical contract coverage for caustic soda, clean petroleum products and dry bulk for the CABU and CLEANBU vessels for the period 2020-2021 based on number of days under each contract. Approx. 40-45% of CABU fleet capacity is allocated to transportation of caustic soda and 55-60% to transportation of dry bulk products. The figure illustrates that around 84% of the caustic soda capacity (i.e. volume, not rate exposure) for the CABU vessels for remaining 2020 has been fixed, while around 37% of the dry bulk capacity for the entire fleet has been fixed. 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

<sup>2</sup> Based on current expected delivery dates for CLEANBU newbuildings

<sup>3</sup> Based on current expected delivery dates for CLEANBU newbuildings

vessel in trades between the basins. Hence, the Pacific contracts and business as such accounts for a larger part of the total earnings.

Three CLEANBUs, the new generation combination carriers, was delivered in 2019. The five CLEANBU vessels under construction are expected to be delivered in Q3/4 2020 (3) and Q1 (2) 2021. Approx. 50% of CLEANBU fleet capacity is allocated to transportation of clean petroleum products and 50% to transportation of dry bulk products. The CLEANBU fleet trades in combination trades and spot tanker market. From April 2020 MV Baru and Barramundi has been fixed on three-six months tanker time-charter contracts and MV Barracuda has from mid May been fixed on a 9-12 month tanker time charter contract. 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 that is material to the Company's ability meet its obligations to security holders in respect of the securities being issued.

### 5.3.2 *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.

### 5.3.3 *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's 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 compared to a standard vessel.

The dry bulk fleet as of March 2020 consisted of around 12,000 vessels across all size segments, including around 2,400 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 of March 2020, the order-book for Panamax/Kamsarmax vessels consists of approx. 215 vessels.<sup>4</sup>

The product tanker fleet as of April 2020 consisted of 9,087 vessels across all size segments, including around 1,618 MR tankers (40,000 to 59,999 dwt) and 381 LR1 tankers (55,000 to 84,999 dwt). As per April 2020, their orderbooks consists of 112 and 6 vessels, respectively.<sup>5</sup>

### 5.3.4 *Commercial management and operations*

The core chartering team consists of one person in Oslo and two in Singapore. 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 in Oslo is employed by the Company.

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<sup>4</sup> Clarksons Shipping Intelligence Network

<sup>5</sup> Clarksons Shipping Intelligence Network

Commercial operations are handled by dedicated operators located in Oslo, 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. KCC Shipowning AS and KCC KBA AS have entered into Ship Management agreements with Klaveness Ship Management AS for all vessels for an annual fixed fee per vessel, in line with market pricing. The Ship Management Agreements 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. All services provided by Klaveness AS are priced on a cost plus basis. 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.

#### *5.3.5 Norwegian tonnage tax regime*

All Group companies are incorporated in and tax resident in Norway. The Company and KBA are subject to tax on income in accordance with ordinary rules pertaining to companies that are tax residents in Norway. Net taxable income is taxed at the corporate income tax rate; 22% for 2019 and 2020. 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 and KCCC will be subject to this regime from 2020 onwards. Under the tonnage tax regime, qualifying shipping income is tax exempt, while net financial income is subject to tax in accordance with the ordinary Norwegian tax rules. Instead of tax on qualifying shipping income, a tonnage tax based on the net tonnage of the vessels is paid.

#### **5.4 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.

Neither the Company nor any other company in the Group is, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months from the date of this Prospectus which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability.

## **6 SELECTED FINANCIAL AND OTHER INFORMATION**

### **6.1 Introduction and basis for preparation**

The following presentation of financial information should be read in conjunction with the Group's consolidated financial statements for 2019 and 2018 and the notes thereto that have been incorporated into this Prospectus by reference. 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 listed on Oslo Axess on May 22, 2019, with ticker KCC. 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. 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.

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 vessel owning companies as variable time charter revenue. As all vessel owning companies were directly or indirectly owned by KCCS Group, the Group received total net revenue from KCCC. 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.

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.

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.

### **6.2 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 Group's audited consolidated financial statements for 2019 (see Section 10.2 "Incorporation by reference").

### **6.3 Consolidated historical financial information**

The Group's audited consolidated financial statements for the years ended 31 December 2019 and 2018 have been incorporated by reference into this Prospectus, see Section 10.2 "Incorporation by reference". The financial statements for 2019 and 2018 have been prepared in accordance with IFRS as endorsed by the European Union.



#### **6.4 Independent auditor and audit report**

The Company's independent auditor is Ernst & Young AS (EY), 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.

The audit reports for the years ended 2019 and 2018, issued by independent auditors Ernst & Young AS, are enclosed to the financial statements for the years 2019 and 2018, incorporated into this Prospectus by reference (See Section 10.2 "Incorporation by reference").

#### **6.5 Recent events since 31 December 2019**

The following events have taken place since 31 December 2019:

- (i) On 30 January 2020, the Company completed the placement of a new senior unsecured bond issue of NOK 500 million with maturity date 11 February 2025. The bond carries a coupon of 3 months NIBOR + 475 bps p.a. with quarterly interest payments. 4/5 of the new bond loan (KCC04) was swapped to a USD obligation with fixed rate. During 2020, NOK 158 million of the KCC03 bond has been repurchased and the remaining NOK 142 million will be repaid at the latest on the final maturity date in May 2021.
- (ii) In February 2020 KCC terminated the cross-currency interest rate swap agreement with Klaveness Ship Holding AS, entered into in relation to the KCC03 bond.
- (iii) On 24 February 2020, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 0.5 million (USD 0.01 per share).
- (iv) Employment of five key personnel who was transferred from Klaveness AS to Klaveness Combination Carriers ASA as with effect of 1 February 2020 and 1 April 2020.
- (v) The situation related to the COVID-19 virus outbreak is uncertain. As of the date of this report, the direct effects for KCC's business are limited, while KCC has been indirectly impacted by negative effects in the dry bulk and fuel markets. However, further negative consequences may occur as a result of lower activity in shipping markets going forward as the outbreak likely will negatively impact demand in the dry bulk, tanker and fuel markets in general. The COVID-19 outbreak has resulted in significant macroeconomic uncertainty and several operational issues. The duration and scale remain uncertain, but could have material impact on KCC's earnings and cash flow. However, it is not possible to quantify such effects for the time being.
- (vi) The delivery of the next CLEANBU vessels will be delayed due to the COVID-19 virus. The shipyard declared a force majeure situation for delays caused by the virus, however activity at the shipyard has resumed. The KCC supervision team at the yard is not complete due to the COVID-19 outbreak in Europe and in the Philippines. Delivery of the remaining vessels are hence delayed. Agreements have been made with the shipyard to postpone delivery of the next CLEANBU newbuild (#4) until the end of June/early July and the four subsequent CLEANBU newbuilds will likely be delayed by one-two months from the contractual delivery dates in August 2020-February 2021. There are still large uncertainties related to when the vessels will be delivered.
- (vii) During March 2020, KCC purchased in total 3.063 of its own shares at an average price of NOK 29 per share.
- (viii) During March 2020, persons from the Management and the Board have purchased shares in KCC. Engebret Dahm (CEO) has through E Dahm Invest AS purchased 1,300 shares in KCC of NOK 40 per share and 1,500 shares of NOK 32 per share. Liv Hege Dyrnes (CFO) purchased 1,000 shares of NOK 28 per share. Lasse Kristoffersen (Chairperson of the Board of KCC) has through B7 Invest AS purchased 3,000 shares of NOK 30 per share. The primary insiders EGD Shipholding AS purchased 2,868 shares in KCC of NOK 30 per share, Ingri Langemyhr purchased 1,500 shares of NOK 28 per share and Inga Marie Frøysa purchased 4,487 shares of NOK 32 per share.
- (ix) During April/May, two CLEANBU vessels have been fixed at 3-6 months tanker TCs and one CLEANBU vessel has been fixed on a 9-12 months tanker TC in a currently strong tanker market.
- (x) 12 month COA with for CSS into Brazil secured from July 2020. 3 years COA covering ½ CABU vessel capacity with for CSS into Australia secured.

- (xi) Credit approval for the bank financing of the two vessels with delivery in 2021 has been obtained and the bank facility is subject to final documentation. Based on this approval, all newbuilds are fully financed.

Other than as set out above, there have been no recent events particular to the Company which to a material extent are relevant to an evaluation of the Company's solvency.

## **6.6 Trend information for the remainder of 2020**

KCC is closely following the development related to the COVID-19 outbreak and takes precautionary measures and assesses all potential risks. As of the date of this Prospectus, the direct effects for KCC's business are limited.

- (i) It is currently difficult to make crew changes and flag states/class have approved extended crew contracts. Likewise, the Group finds it difficult to get ship managers, service personnel and vetting inspectors on board. It has also been necessary to deviate vessels sometimes to get supplies on-board. So far these factors have had limited impact on the operation of the vessels and have had limited financial impact, however, it remains uncertain how this will develop going forward.
- (ii) The delivery of the next CLEANBU vessels will be delayed due to the COVID-19 virus. The shipyard declared a force majeure situation for delays caused by the virus. While activity at the shipyard has resumed, the supervision team is not complete as per April 2020 due to the COVID-19 outbreak in Europe and in the Philippines. Agreements have been made with the shipyard to postpone delivery of the next CLEANBU newbuild for approximately four months until the end of June 2020. The four subsequent CLEANBU newbuilds have agreed delivery dates in August 2020-February 2021, but will likely be delayed by approximately 1-2. Delivery might be further delayed.
- (iii) Additional consequences may occur as a result of lower activity in shipping markets going forward. The COVID-19 outbreak has resulted in significant macroeconomic uncertainty. The duration and scale remain uncertain, but could have material impact on KCC's earnings and cash flow. However, it is not possible to quantify such effects for the time being.

KCC's business is exposed to the development in three different markets: dry bulk, fuel and tanker.

- (iv) The dry bulk and the fuel markets are currently weak and the outlook is uncertain. The dry bulk market is dependent on a recovery in the Chinese economy while the fuel market is driven by the oil market which is heavily impacted by the oil price war between Russia and Saudi Arabia.
- (v) The tanker market has strengthened considerably during 2020 mainly as a consequence of the said oil price war. It is likely that the tanker market will drop during 2020 or 2021 and KCC has used the strong tanker market environment to secure a large part of the tanker exposure for 2020. The full tanker volume exposure for Q2 2020 has been secured (92% fixed rate) and 68% of tanker volume is fixed for 2H 2020 (60% fixed rate). Financing of the Group's activities

Bank financing for the three CLEANBU newbuilds with delivery in 2020 was secured in March 2019 and credit approval has been obtained for the bank financing of the remaining two CLEANBU vessels with delivery in 2021. The latter is subject to final documentation. No debt facilities fall due in 2020, except for the 364-days overdraft facility which is extended once a year and that matures in December 2020. The first mortgage debt facility falls due in March 22, the second in December 2023 and the remaining bank and bond debt matures in the years thereafter.

The Company issued a new unsecured bond of NOK 500 million (KCC04) in February 2020. Margin is down from NIBOR + 5.25% in KCC03 to NIBOR + 4.75%. During 2020, NOK 158 million of the KCC03 bond has been repurchased and the remaining NOK 142 million will be repaid at the latest on the final maturity date in May 2021.

The accounts are reported under the assumption of a going concern. The Company considers its financial position at year-end 2019 to be solid and the liquidity situation to be satisfactory. Current cash flow, existing and committed debt and liquidity position are considered sufficient to cover all approved investments.

## **6.7 Negative statements**

To the Company's knowledge there has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements.

Neither is the Company aware of any significant change in the financial performance of the Group since 31 December 2019, being the end of the last financial period for which financial information has been published, to 22 May 2020, being the date of this Prospectus.

Furthermore, other than as described in this Section 6, there have been no significant changes in the financial position of the Group which has occurred since 31 December 2019.

## 7 BOARD OF DIRECTORS AND MANAGEMENT

### 7.1 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 Section 7.5 "Audit committee"). In addition, the Company has a nomination committee (see Section 7.4 "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.

### 7.2 The Board of Directors

#### 7.2.1 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 terms of office of the Board Members as at the date of this Prospectus are set out in the table below.

<b>Name</b>	<b>Position</b>	<b>Served since</b>	<b>Term expires</b>
Lasse Kristoffersen	Chairperson	23 March 2018	AGM 2022
Morten Skedsmo	Board member	23 March 2018	AGM 2022
Magne Øvreås	Board member	30 April 2018	AGM 2022
Rebekka Glasser Herlofsen	Board member	27 April 2020	AGM 2022
Lori Wheeler Næss	Board member	18 January 2019	AGM 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.

#### 7.2.2 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 Klaveness Maritime Logistics AS. 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 and 3,000 shares in KCC.

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

### **Morten Skedsmo, Board member**

Appointed Head of Ship Owning & Projects of Torvald Klaveness 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.

### **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.

### **Rebekka Glasser Herlofsen, Board member**

Ms. Rebekka Glasser Herlofsen has 25 years' experience in the shipping and finance industries, and has served on the management teams of leading Norwegian shipping companies such as Bergesen/BW Gas, Torvald Klaveness and Wallenius Wilhelmsen. She was until recently the CFO of Wallenius Wilhelmsen, and is now an independent consultant, investor and board professional. Ms. Herlofsen has served in different capacities on Norwegian and international boards, including as Chairman of Cermaq ASA, and as a member of the DNV GL board. She is currently a board member of Equinor ASA, Rockwool International A/S, SATS ASA, and the marine insurer Norwegian Hull Club.

Ms. Herlofsen holds a degree in business from the Norwegian School of Economics and Business, and is a certified financial analyst.

### **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.

## **7.3 Management**

### **7.3.1 Overview**

The Group presently have five employees, including the CEO and CFO. Additional services are provided by personnel employed by Klaveness AS ("**KAS**") and Klaveness Ship Management AS ("**KSM**").

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

<b>Name</b>	<b>Current position within the group</b>	<b>Position since</b>
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.

### **7.3.2 Brief biographies of the members of the Management**

Set out below are brief biographies of the members of the Management, including their relevant management expertise

and experience, an indication of any significant principal activities performed by them outside the Company.

#### **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.

#### **Liv Hege Dyrnes, CFO**

Dyrnes was appointed CFO in February 2017 after eight years with Torvald Klaveness. Dyrnes was appointed as board member in Nordisk Skipsrederforening in June 2019.

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.

#### **7.4 Nomination committee**

The Articles of Association provide for a nomination committee composed of three members. The nomination committee 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.

#### **7.5 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.

#### **7.6 Remuneration committee**

The Board has currently not established a separate remuneration committee.

#### **7.7 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**").

#### **7.8 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 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.

## 8 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

### 8.1 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 and its LEI code is 549300XAKTM2BMKIPT85. The Company's shares were listed on Oslo Axess on 22 May 2019 and is registered under the ticker KCC (which is also used as a commercial name).

The shares in the Company have been created under the Norwegian Public Limited Companies Act. The shares in the Company 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 shares were listed on Oslo Axess on 22 May 2019.

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](http://www.combinationcarriers.com).

### 8.2 Legal structure

The Company is the ultimate parent 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% <sup>1</sup>
KCC Chartering AS	984 094 280	Norway	100%
KCC KBA AS	912 477 983	Norway	100%

1. 97% of the shares are held directly and 3% indirectly through KCC Chartering AS.

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

As the Company is a holding company, its principle activities are carried out by the Company's subsidiaries. Therefore, the profit made is dependent on the results of operations in the Company's subsidiaries. Accordingly, the Company is dependent on other entities within the Group, i.e. its operating subsidiaries.

### 8.3 Share capital

As at the date of this Prospectus, the Company's share capital is NOK 48,027,000 divided on 48,027,000 shares, with a nominal value of NOK 1.00 per share. All shares in the Company have been created under the Norwegian Public Limited Companies Act, are validly issued and fully paid.

### 8.4 Major shareholders

As registered in the VPS as of the 20 May 2020, the Company has a total of 329 registered shareholders. The Company's largest shareholder is Klaveness Ship Holding AS, holding approximately 53.81% of the issued shares.

The top 20 registered shareholders with the largest shareholdings as registered in the VPS as per 20 May 2020 are listed below:

#	Name of shareholder	Number of Shares	%
1	KLAVENESS SHIP HOLDING AS	25 845 950	53.81
2	EGD SHIPHOLDING AS	8 805 128	18.33
3	HUNDRED ROSES CORPORATION	2 197 250	4.57
4	Goldman Sachs & Co. LLC	1 375 750	2.86
5	VERDIPAPIRFONDET NORDEA NORGE VERD	1 123 773	2.33
6	SIX SIS AG	595 549	1.24



7	J.P. Morgan Bank Luxembourg S.A.	532 920	1.10
8	T.D. VEEN AS	525 000	1.09
9	VERDIPAPIRFONDET NORDEA KAPITAL	393 900	0.82
10	BNP Paribas Securities Services	383 161	0.79
11	EQUINOR PENSJON	378 303	0.78
12	J.P. Morgan Securities LLC	360 000	0.74
13	J.P. Morgan Bank Luxembourg S.A.	322 645	0.67
14	L. GILL-JOHANNESSEN AS	302 790	0.63
15	VERDIPAPIRFONDET NORDEA AVKASTNING	300 000	0.62
16	The Bank of New York Mellon SA/NV	298 889	0.62
17	Merrill Lynch International	290 052	0.60
18	FRATERNITAS A/S	225 000	0.46
19	The Bank of New York Mellon	220 090	0.45
20	ALTITUDE CAPITAL AS	211 386	0.44
	<b>Total top 20 shareholders:</b>	<b>44 687 536</b>	<b>93.04</b>
	Other:	3 339 464	6.95
	<b>Total shareholders:</b>	<b>48 027 000</b>	<b>100.00</b>

Shareholders owning 5% or more of the shares have an interest in the Company's share capital which is noticeable pursuant to the Norwegian Securities Trading Act.

As of the date of this Prospectus, the following shareholders are registered in the VPS as owning more than 5% of the shares in the Company: Klaveness Ship Holding AS and EGD Shipholding AS. The Company is not aware of any other shareholders or consolidated groups of shareholders owning more than 5% of the shares. To the extent known to the Company, there are no single persons or entities other than Klaveness Ship Holding AS that, directly or indirectly, exercise or could exercise control over the Company. As such, Klaveness Ship Holding AS may therefore exercise significant influence over the Company's resolutions at General Meetings.

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. The shares have not been subject to any public takeover bids.

## 8.5 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 shares in the Company carries one vote.

## 8.6 The Articles of Association

The Articles of Association are attached hereto as Appendix A. 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 annual 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 the Articles of Association pertain to the general meeting.

## 9 DESCRIPTION OF THE BONDS

### 9.1 The Terms and Details of the Bonds

The Bond Issue is governed by the Norwegian law bond agreement entered into on 7 February 2020 (the "**Bond Terms**") between the Issuer as issuer and Nordic Trustee AS as the bond trustee on behalf of the bondholders (the "**Bond Trustee**"). A copy of the Bond Terms is attached to this Prospectus as Appendix B.

In this Section 9.1 "*The terms and details of the Bonds*" capitalised terms used and not defined herein shall have the same meaning as in the Bond Terms.

<b>ISIN:</b>	NO 0010874530
<b>The Bond Issue:</b>	Klaveness Combination Carriers ASA FRN Senior Unsecured Bond Issue 2020/2025
<b>Issuer:</b>	Klaveness Combination Carriers ASA, reg. no. 920 662 838 (Norway)
<b>Status of the Bonds and Security:</b>	The Bonds shall constitute senior debt obligations of the Issuer. The Bonds shall rank at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.  The Bonds are unsecured.
<b>Date of Bond Agreement:</b>	Originally dated 7 February 2020
<b>Maximum loan amount:</b>	NOK 700,000,000
<b>Outstanding loan amount:</b>	NOK 500,000,000  The Issuer may, provided that the conditions set out in Clause 6.3 (Tap Issues) are met, at one or more occasions issue Additional Bonds (each a "Tap Issue") until the Nominal Amount of all Additional Bonds equals in aggregate the Maximum Issue Amount less the Initial Bond Issue. Each Tap Issue will be subject to identical terms as the Bonds issued pursuant to the Initial Bond Issue in all respects as set out in these Bond Terms, except that Additional Bonds may be issued at a different price than for the Initial Bond Issue and which may be below or above the Nominal Amount.
<b>Initial nominal value of each Bond:</b>	NOK 500,000
<b>Currency:</b>	NOK
<b>Issue price:</b>	The issue price corresponds to 100 per cent of the nominal amount of each Bond
<b>Securities form:</b>	The Bonds are electronically registered in dematerialised form with VPS
<b>Issue Date:</b>	11 February 2020
<b>Interest bearing from and including:</b>	Issue Date
<b>Interest bearing until:</b>	Maturity Date
<b>Maturity Date:</b>	11 February 2025
<b>Details of the arrangements for the amortisation of the loan:</b>	The Bonds shall be redeemed in full, as a bullet payment corresponding to the Initial Nominal Value of each Outstanding Bond, at the Maturity Date, including any accrued but unpaid interest.
<b>Interest:</b>	Bond Reference Rate (three months NIBOR) plus Margin (4.75 per cent p.a.)

<b>Margin:</b>	4.75 per cent per annum
<b>Bond Reference Rate:</b>	Three months NIBOR
<b>NIBOR:</b>	<p>The interest rate fixed for a period comparable to the relevant Interest Period on Oslo Børs' webpage at approximately 12:15 p.m. (Oslo time) on the Interest Quotation Day or, on days on which Oslo Børs has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published at approximately 10:15 a.m. (Oslo time) on the Interest Quotation Day shall be used.</p> <p>If no screen rate is available for the relevant Interest Period: (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under the first paragraph above; or (ii) a rate for deposits in the Bond currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or (iii) if the interest rate under the first paragraph above is no longer available, the interest rate will be set by the Bond Trustee in consultation with the Issuer to any relevant replacement reference rate generally accepted in the market or such interest rate that best reflects the interest rate for deposits in the Bond currency offered for the relevant Interest Period.</p> <p>In each case, if any such rate is below zero, the Reference Rate will be deemed zero.</p>
<b>Current coupon rate (as at the date of this Prospectus):</b>	6.50 per cent
<b>Yield:</b>	<p>The below calculation sets out the annual return on the nominal value of each Bond (assuming a par value of 100 per Bond) based on the current coupon rate.</p> <p>Current coupon rate (6.50 per cent) divided by the nominal value of a Bond (NOK 500,000,000 (assuming 100% of par value of a Bond)) equals NOK 32,500.</p>
<b>Interest Payment Dates:</b>	11 February, 11 May, 11 August and 11 November each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.
<b>First Interest Payment Date:</b>	11 May 2020
<b>Calculation and payment of interest:</b>	<p>Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee.</p> <p>Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.</p>
<b>Interest quotation date:</b>	Means, in relation to any period for which Interest Rate is to be determined, two (2) Quotation Business Days before the first day of the relevant Interest Period.
<b>Business Day:</b>	Means a day on which both the relevant CSD settlement system and the relevant Bond currency settlement system are open
<b>Business Day Convention:</b>	Means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day.

<b>Time limit on the validity of claims relating to interest and repayment of principal:</b>	Claims to interest and principal shall be subject to the time-bar provisions of the Norwegian Limitations Act of 18 May 1979 no. 18, p.t. 3 years for interest rates and 10 years for principal.
<b>Call Option:</b>	The Bonds can only be redeemed by the Issuer on the Maturity Date
<b>Put Option:</b>	Upon the occurrence of a Put Option Event, each Bondholder will have the right (the "Put Option") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount (plus accrued interest). See Clause 10.3 of the Bond Terms for further details on the exercise of put options.
<b>Put Option Event:</b>	Means a Change of Control Event
<b>Change of Control Event:</b>	Means if Mr. Trond Harald Klaveness and/or any of his heirs, successors or assigns (the "Klaveness Family"), ceases to own and control (directly or indirectly) at least 1/3 of the shares in the Issuer or if any person or group of persons acting in concert, other than the Klaveness Family, gaining Decisive Influence over the Issuer.  Decisive Influence means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly) a majority of the voting rights in that other person or a right to elect or remove a majority of the members of the board of directors of that other person.
<b>Covenants:</b>	General and financial covenants apply to the Issuer. See Section 12 and 13 of the Bond Agreement for more information.
<b>Listing:</b>	The Bonds shall be listed on Oslo Børs within 11 August 2020. If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.
<b>Use of proceeds:</b>	The Issuer will use the net proceeds from the initial issuance of Bonds and any Additional Bonds for repurchase of bonds in the Issuer's existing FRN Klaveness Ship Holding AS Senior Unsecured Callable Bond Issue 2016/2021 with ISIN NO 0010779549, listed on Oslo Stock Exchange under ticker code KCC03, as well as for general corporate purposes.
<b>Bond Terms:</b>	The Bond Terms has been entered into by the Issuer and the Bond Trustee. The Bondholders shall be bound by the terms and conditions of these Bond Terms and any other Finance Document without any further action or formality being required to be taken or satisfied.  The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.
<b>Finance Documents:</b>	(i) the Bond Terms, (ii) the Bond Trustee Fee Agreement and (iii) any other document designated by the Issuer and the Bond Trustee as a Finance Document.
<b>Bondholders' Meeting:</b>	At the Bondholders' Meeting each Bondholder (or person acting for a Bondholder under a power of attorney) has one vote for each Bond he/she owns. The Issuer's Bonds shall not carry any voting rights.  At least 50% of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.  Resolutions shall be passed with a simple majority of the votes represented at the Bondholders' Meeting, except as set forth below.  In the following matter, approval of at least 2/3 of the votes represented at the Bondholders' Meeting is required: approval of any waiver or amendment of any

	<p>provision of the Bond Agreement, including a change of Issuer and change of Bond Trustee.</p> <p>For further details of the Bondholders' Meeting's authority, procedures, voting rules and written resolutions, see Clause 15 of the Bond Agreement.</p>
<b>Bond Trustee:</b>	Nordic Trustee AS, Norwegian registration number 963 342 624, P.O. Box 1470 Vika, N-0116 Oslo, Norway.
<b>Managers for the Bond Issue:</b>	<p>Danske Bank, NUF, Søndre gate 15, N-7011 Trondheim, Norway.</p> <p>Nordea Bank Abp, NUF, Essendrops gate 7, N-0368 OSLO.</p> <p>Pareto Securities AS, Dronning Mauds gate 3, N-0250 OSLO.</p> <p>Skandinaviska Enskilda Banken AB (publ), Filipstad brygge 1, N-0252 OSLO.</p>
<b>Paying Agent:</b>	DNB Bank ASA.
<b>Transfer of Bonds:</b>	<p>Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.</p> <p>A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the voting rights pursuant to these terms of the Bond Agreement, provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.</p>
<b>Legislation under which the Bonds have been created:</b>	Norwegian law.
<b>Fees and expenses:</b>	Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.

## 9.2 Advisors

Advokatfirmaet Schjødt AS is acting as legal adviser to the Company in relation to the Listing.

Danske Bank, Norwegian Branch, Nordea Bank Abp, Norwegian Branch, Pareto Securities AS and Skandinaviska Enskilda Banken AB (publ) acted as managers in relation to the Bond issue.

## 9.3 Listing and net proceeds

The Company will apply for a listing of the Bonds on the Oslo Stock Exchange as soon as possible after this Prospectus has been approved by the NFSA and trading is expected to commence on or about 25 May 2020 with ISIN NO001 0874530 under the ticker code "KCC04". The Bonds are not listed on any other regulated market. From before, the Company have Bonds listed on Oslo Stock Exchange under "Klaveness Ship Holding AS 16/21 FRN C" with ticker KCC03 and ISIN NO 0010779549.

The total costs of the Company in connection with the issuance of the Bonds were approximately NOK 8.1 million (incl. VAT). The net proceeds from the Bond issue were approximately NOK 491.1 million.

## 9.4 Interest of natural and legal persons involved in the Bond Issue

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. Furthermore, the Managers have received fees in connection with the Bond Issue and, as such, have an interest in the Bond Issue.

#### **9.5 Reasons for the application for the admission to trading**

This Prospectus is being produced in connection with the Company's application for the admission to trading of the Bonds on Oslo Stock Exchange.

Pursuant to the Bond Terms the Company shall, within 6 months of the Issue Date of the Bonds, apply for the Bonds to be listed on Oslo Stock Exchange.

The application for admission to trading is put forward by the Company to satisfy the conditions of the Bond Terms.

#### **9.6 Approval of the Prospectus and other relevant information**

This Prospectus was approved by the NFSA on 22 May 2020, as competent authority under the EU Prospectus Regulation.

The NFSA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation, and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the securities. The NFSA has not checked or approved the accuracy or completeness of the information included in this Prospectus. The approval by the NFSA only relates to the information included in accordance with pre-defined disclosure requirements. The NFSA has not conducted any form of review or approval relating to corporate matters described in or referred to in this Prospectus.

#### **9.7 Authorisation to issue the Bonds**

The Bonds were issued pursuant to a resolution by the Company's Board of Directors on 7 February 2020.

#### **9.8 Tax Warning**

Potential investors should be aware that changes in the tax legislation of the investors' and of the Issuer's country of incorporation may have an impact on the income received from the Bonds. There can be changes in the applicable tax legislation, increased taxation by national, local or foreign authorities, new or modified taxation rules and requirements, including requirements relating to the timing of any tax payments, which may have an impact on the on the income received from the Bonds.

#### **9.9 Credit Rating**

There are no credit ratings assigned to the Company at the request or with the cooperation of the Company in the rating process.

## 10 ADDITIONAL INFORMATION

### 10.1 Documents on display

The following documents will be available for inspection at [www.combinationcarriers.com](http://www.combinationcarriers.com) and 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;
- this Prospectus.

### 10.2 Incorporation by reference

The information incorporated by reference in this Prospectus shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this Section, no other information is incorporated by reference into this Prospectus.

Section in the Prospectus	Disclosure requirements of the Prospectus	Reference document and link	Page (P) in reference document
Section 6	Audited financial statements	<p>The Group's audited consolidated financial statements for the year ended 31 December 2019:</p> <p><a href="https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw">https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw</a></p> <p>The Group's audited consolidated financial statements for the year ended 31 December 2018:</p> <p><a href="https://klaveness.app.boxcn.net/s/b8awqox1e53nhq2cexzp7swiiv4n2ub4">https://klaveness.app.boxcn.net/s/b8awqox1e53nhq2cexzp7swiiv4n2ub4</a></p>	<p>P. 8-12</p> <p>P. 6-10</p>
Section 6	Audit report	<p>The audit report for the financial years ended 31 December 2019:</p> <p><a href="https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw">https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw</a></p> <p>The audit report for the financial years ended 31 December 2018:</p> <p><a href="https://klaveness.app.boxcn.net/s/b8awqox1e53nhq2cexzp7swiiv4n2ub4">https://klaveness.app.boxcn.net/s/b8awqox1e53nhq2cexzp7swiiv4n2ub4</a></p>	<p>P. 52-55</p> <p>P. 60-62</p>
Section 6	Accounting principles	<p>Accounting principles:</p> <p><a href="https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw">https://klaveness.app.boxcn.net/s/s1x8jigmwz4ueoig2s81tnog3tj0hdw</a></p>	P. 14-21



## 11 DEFINITIONS AND GLOSSARY

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

Articles of Association .....	The Company's articles of association.
AGM	Annual general meeting of the Company
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.
BSA .....	Business Services Agreement between Klaveness AS and various Group companies.
CABU.....	Caustic soda – bulk carrier.
CEO.....	Chief Executive Officer.
CFO .....	Chief Financial Officer.
CLEANBU.....	Clean petroleum product – bulk carrier.
COA.....	Contract of affreightment.
Company.....	Klaveness Combination Carriers ASA.
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.
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 Regulation .....	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/ECText with EEA relevance.
EY .....	Ernst & Young AS, the Company's independent auditor.
Financial Statements.....	The Group's audited consolidated financial statements for the years ended 31 December 2019 and 2018, prepared in accordance with IFRS..
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.
Kamsarmax .....	See Panamax.
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.
Listing.....	The listing of the Bonds on Oslo Børs.
LNG .....	Liquefied Natural Gas.
LR1 tanker.....	Long Range Product Carriers range between 60,000to 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.
LSFO.....	Low Sulphur Fuel Oil.
Management.....	The senior management team of the Company.
MDO .....	Marine Diesel Oil.
Member States.....	The EU member states.
MGO .....	Marine Gas Oil.
MR tanker.....	Medium Range Product Carriers are product tankers at sizes between 40,000to 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.

NOK.....	Norwegian Kroner, the lawful currency of Norway.
Norwegian FSA.....	The Norwegian Financial Supervisory Authority ( <i>Nw: Finanstilsynet</i> ).
Norwegian Public Limited Companies Act	The Norwegian Public Limited Companies Act of 13 June 1997 no. 45 ( <i>Nw: allmennaksjeloven</i> ).
Norwegian Securities Trading Act .....	The Norwegian Securities Trading Act of 29 June 2007 no. 75 ( <i>Nw: verdipapirhandelloven</i> ).
OPEC .....	Organization of Petroleum Exporting Countries.
Oslo Børs .....	Norwegian stock exchange operated by Oslo Børs ASA.
Oslo Stock Exchange.....	Oslo Børs ASA, or, as the context may require, Oslo Børs, a Norwegian stock exchange operated by Oslo Børs ASA.
Ouhua.....	Zhejiang Ouhua Shipbuilding Co. Ltd.
Panamax .....	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.
Prospectus.....	This Prospectus, dated 22 May 2020.
Subsidiaries .....	KCC Shipowning AS, KCC Chartering AS, and KCC KBA AS.
UAN .....	Urea and Ammonium 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.
VLSFO.....	Very Low Sulphur Fuel Oil.
VPS .....	The Norwegian Central Securities Depository ( <i>Nw: Verdipapirsentralen</i> ).
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 21. juni 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 48 027 000, fordelt på 48 027 000 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 godkjenning 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 21 June 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 48,027,000, divided into 48,027,000 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 Board 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. Godkjenning av årsregnskapet og årsberetningen, herunder utdeling av utbytte.
2. Godkjenning 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:**

**BOND AGREEMENT**

**BOND TERMS**

**FOR**

**Klaveness Combination Carriers ASA FRN Senior Unsecured NOK  
700,000,000 Bonds 2020/2025**

**ISIN NO001 0874530**

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ATTACHMENT 1 COMPLIANCE CERTIFICATE



<b>BOND TERMS between</b>	
<b>ISSUER:</b>	Klaveness Combination Carriers ASA, a company existing under the laws of Norway with registration number 920 662 838 and LEI-code 213800ZFB2MQM3JA6K52; and
<b>BOND TRUSTEE:</b>	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85.
<b>DATED:</b>	7 February 2020
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

## **1. INTERPRETATION**

### **1.1 Definitions**

The following terms will have the following meanings:

“**Additional Bonds**” means the debt instruments issued under a Tap Issue, including any Temporary Bonds.

“**Affiliate**” means, in relation to any person:

- (a) any person which is a Subsidiary of that person;
- (b) any person who has Decisive Influence over that person (directly or indirectly); and
- (c) any person which is a Subsidiary of an entity who has Decisive Influence (directly or indirectly) over that person.

“**Annual Financial Statements**” means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with IFRS, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

“**Attachment**” means any schedule, appendix or other attachment to these Bond Terms.

“**Bond Terms**” means these terms and conditions, including all Attachments which shall form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

“**Bond Trustee**” means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

**“Bond Trustee Fee Agreement”** means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

**“Bondholder”** means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders’ rights*).

**“Bondholders’ Meeting”** means a meeting of Bondholders as set out in Clause 15 (*Bondholders’ Decisions*).

**“Bonds”** means the debt instruments issued by the Issuer pursuant to these Bond Terms, including any Additional Bonds.

**“Book Equity”** means the aggregate book value (on a consolidated basis) of the Group’s consolidated total equity treated as equity in accordance with IFRS, as set out in the then most recent audited consolidated Annual Financial Statements (or, if more recent, the latest Interim Accounts) of the Issuer.

**“Business Day”** means a day on which both the relevant CSD settlement system and the relevant Bond currency settlement system are open.

**“Business Day Convention”** means that if the last day of any Interest Period originally falls on a day that is not a Business Day, the Interest Period will be extended to include the first following Business Day unless that day falls in the next calendar month, in which case the Interest Period will be shortened to the first preceding Business Day (*Modified Following*).

**“Calculation Date”** means 31 March, 30 June, 30 September and 31 December each year.

**“Call Option”** has the meaning given to it in Clause 10.2 (*Voluntary early redemption – Call Option*).

**“Call Option Repayment Date”** means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*), Clause 10.3(d) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

**“Cash and Cash Equivalent”** means, on any date the amounts (expressed in USD) on such date of the then current market value on a consolidated basis for the Group of:

- (a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank;
- (b) time deposits with acceptable banks and certificates of deposit issued, and bills of exchange accepted, by an acceptable bank; and
- (c) other cash equivalents treated as cash and cash equivalent in accordance with IFRS,

in each case, to which any Group Company is beneficially entitled at that time and to which any such Group Company has free and unrestricted access. Any amount standing to the credit of any pledged (but not blocked) account of the Group (a **“Pledged Account”**) shall be

regarded as Cash and Cash Equivalent. However, if there are defaults under any credit facilities with security over a Pledged Account, any amount standing to the credit of such Pledged Account shall not be included in the calculation of Cash and Cash Equivalents. An “**acceptable bank**” for this purpose is:

- (a) a commercial bank, savings bank and trust company which has a minimum “A” credit rating from S&P or Moody’s or a comparable rating from a nationally recognised credit ranking agency for its long-term debt obligations; or
- (b) a bank or financial institution which is authorised to carry on banking business in Norway.

“**Change of Control Event**” means:

- (a) if Mr Trond Harald Klaveness and/or any of his heirs, successors or assigns (the “Klaveness Family”), ceases to own and control (directly or indirectly) at least 1/3 of the shares in the Issuer; or
- (b) if any person or group of persons acting in concert, other than the Klaveness Family, gaining Decisive Influence over the Issuer.

“**Compliance Certificate**” means a statement substantially in the form as set out in Attachment 1 hereto.

“**CSD**” means the Norwegian central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA (VPS).

“**Decisive Influence**” means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

- (a) a majority of the voting rights in that other person; or
- (b) a right to elect or remove a majority of the members of the board of directors of that other person.

“**Default Notice**” means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

“**Default Repayment Date**” means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

“**Distribution**” means any dividend payment or distribution, whether in cash or in kind, repurchase of shares or any other similar transactions (included, but not limited to total return swaps related to shares in the Issuer), or other distributions or transactions implying a transfer of value to any shareholder.

“**Equity Ratio**” means the Book Equity to the Total Assets.

“**Event of Default**” means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

**“Exchange”** means:

- (a) Oslo Børs (the Oslo Stock Exchange); or
- (b) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and Regulation (EU) No. 600/2014 on markets in financial instruments (MiFIR).

**“Finance Documents”** means these Bond Terms, the Bond Trustee Fee Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

**“Financial Covenants”** means the financial undertakings set out in Clause 13.15 (*Financial Covenants*).

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed (and debit balances at banks or other financial institutions);
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be capitalized as an asset and booked as a corresponding liability in the balance sheet);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis provided that the requirements for de-recognition under IFRS are met);
- (f) any derivative transaction entered into and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not a Group Company which liability would fall within one of the other paragraphs of this definition;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under IFRS;
- (i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;

- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under IFRS; and
- (k) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs a) to j) above.

“**Financial Reports**” means the Annual Financial Statements and the Interim Accounts.

“**Financial Support**” means any loans, guarantees or other financial assistance (including, but not limited to granting Security).

“**First Call Date**” means the Interest Payment Date falling in August 2024 (4.5 years after the Issue Date).

“**Group**” means the Issuer and its Subsidiaries from time to time.

“**Group Company**” means the Issuer or any of its Subsidiaries.

“**IFRS**” means the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

“**Initial Bond Issue**” means the aggregate Nominal Amount of all Bonds issued on the Issue Date.

“**Initial Nominal Amount**” means the nominal amount of each Bond as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Insolvent**” means that a person:

- (a) is unable or admits inability to pay its debts as they fall due;
- (b) suspends making payments on any of its debts generally; or
- (c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its centre of main interest as such term is understood pursuant to Regulation (EU) no. 2015/848 on insolvency proceedings (as amended from time to time).

“**Interest Payment Date**” means the last day of each Interest Period, the first Interest Payment Date being 11 May 2020 and the last Interest Payment Date being the Maturity Date.

“**Interest Period**” means, subject to adjustment in accordance with the Business Day Convention, the periods between 12 November one year and 11 February the next year, 12 February and 11 May, 12 May and 11 August, and 12 August and 11 November each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

“**Interest Rate**” means the percentage rate per annum which is the aggregate of the Reference Rate for the relevant Interest Period plus the Margin.

**“Interest Quotation Day”** means, in relation to any period for which Interest Rate is to be determined, 2 Quotation Business Days before the first day of the relevant Interest Period.

**“Interim Accounts”** means the unaudited consolidated quarterly financial statements of the Issuer for the quarterly period ending on each 31 March, 30 June, 30 September and 31 December in each year, prepared in accordance with IFRS, including management report from the Issuer.

**“ISIN”** means International Securities Identification Number, being the identification number of the Bonds.

**“Issue Date”** means 11 February 2020.

**“Issuer”** means the company designated as such in the preamble to these Bond Terms.

**“Issuer’s Bonds”** means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

**“Listing Failure Event”** means:

- (a) that the Bonds issued on the Issue Date have not been admitted to listing on an Exchange within 6 months following the Issue Date,
- (b) that the Additional Bonds have not been admitted to listing on an Exchange within 6 months following the date such Additional Bonds were issued; or
- (c) in the case of a successful admission to listing, that a period of 6 months has elapsed since the Bonds (or, as the case may be, Additional Bonds) ceased to be admitted to listing on an Exchange.

**“Managers”** means Danske Bank, Nordea Bank Abp, filial i Norge, Pareto Securities AS and Skandinaviska Enskilda Banken AB (publ).

**“Margin”** means 4.75 percentage points per annum.

**“Material Adverse Effect”** means a material adverse effect on:

- (a) the ability of the Issuer to perform and comply with its obligations under any of the Finance Documents; or
- (b) the validity or enforceability of any of the Finance Documents.

**“Material Subsidiary”** means any Subsidiary of the Issuer which has been nominated as a Material Subsidiary by the Issuer pursuant to Clause 13.9 (*Designation of Material Subsidiaries*).

**“Maturity Date”** means 11 February 2025, adjusted according to the Business Day Convention.

“**Maximum Issue Amount**” shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Nominal Amount**” means the Initial Nominal Amount (less the aggregate amount by which each Bond has been partially redeemed, if any, pursuant to Clause 10 (*Redemption and repurchase of Bonds*)), or any other amount following a split of Bonds pursuant to paragraph (j) of Clause 16.2 (*The duties and authority of the Bond Trustee*).

“**Outstanding Bonds**” means any Bonds not redeemed or otherwise discharged.

“**Overdue Amount**” means any amount required to be paid by the Issuer under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

“**Partial Payment**” means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

“**Paying Agent**” means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

“**Payment Date**” means any Interest Payment Date or any Repayment Date.

“**Put Option**” shall have the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

“**Put Option Event**” means a Change of Control Event.

“**Put Option Repayment Date**” means the settlement date for the Put Option pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

“**Quotation Business Day**” means a day on which Norges Bank is open.

“**Reference Rate**” shall mean NIBOR (Norwegian Interbank Offered Rate) being:

- (a) the interest rate fixed for a period comparable to the relevant Interest Period on Oslo Børs’ webpage at approximately 12:15 p.m. (Oslo time) on the Interest Quotation Day or, on days on which Oslo Børs has shorter opening hours (New Year’s Eve and the Wednesday before Maundy Thursday), the data published at approximately 10:15 a.m. (Oslo time) on the Interest Quotation Day shall be used; or
- (b) if no screen rate is available for the relevant Interest Period:
  - (i) the linear interpolation between the two closest relevant interest periods, and with the same number of decimals, quoted under paragraph (a) above; or
  - (ii) a rate for deposits in the Bond currency for the relevant Interest Period as supplied to the Bond Trustee at its request quoted by a sufficient number of commercial banks reasonably selected by the Bond Trustee; or

- (c) if the interest rate under paragraph (a) is no longer available, the interest rate will be set by the Bond Trustee in consultation with the Issuer to:
  - (i) any relevant replacement reference rate generally accepted in the market; or
  - (ii) such interest rate that best reflects the interest rate for deposits in the Bond currency offered for the relevant Interest Period.

In each case, if any such rate is below zero, the Reference Rate will be deemed to be zero.

**“Relevant Jurisdiction”** means the country in which the Bonds are issued, being Norway.

**“Relevant Record Date”** means the date on which a Bondholder’s ownership of Bonds shall be recorded in the CSD as follows:

- (a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time; or
- (b) for the purpose of casting a vote with regard to Clause 15 (*Bondholders’ Decisions*), the date falling on the immediate preceding Business Day to the date of that Bondholders’ decision being made, or another date as accepted by the Bond Trustee.

**“Repayment Date”** means any Call Option Repayment Date, the Default Repayment Date, the Put Option Repayment Date, the Tax Event Repayment Date or the Maturity Date.

**“Reporting Date”** means the date falling 60 days after each interim Calculation Date and 120 days after each annual Calculation Date.

**“Securities Trading Act”** means the Securities Trading Act of 2007 no. 75 of the Relevant Jurisdiction.

**“Security”** means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**“Subsidiary”** means a company over which another company has Decisive Influence.

**“Summons”** means the call for a Bondholders’ Meeting or a Written Resolution as the case may be.

**“Tap Issue”** shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

**“Tap Issue Addendum”** shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

**“Tax Event Repayment Date”** means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).



“**Temporary Bonds**” shall have the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Total Assets**” means the aggregate book value (on a consolidated basis) of the Group’s total assets which are treated as assets in accordance with IFRS, as set out in the then most recent audited consolidated Annual Financial Statements or the latest Interim Accounts (as the case may be).

“**Voting Bonds**” means the Outstanding Bonds less the Issuer’s Bonds.

“**Written Resolution**” means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

## 1.2 Construction

In these Bond Terms, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number will include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of these Bond Terms;
- (d) references to a time are references to Central European time unless otherwise stated;
- (e) references to a provision of “**law**” is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;
- (f) references to a “**regulation**” includes any regulation made by the appropriate authority pursuant to law, including any determinations, rulings, judgements and other binding decisions relating to such regulations;
- (g) references to a “**person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, government, or any agency, whether or not having a separate legal personality;
- (h) references to Bonds being “**redeemed**” means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;
- (i) references to Bonds being “**purchased**” or “**repurchased**” by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer’s purchase of Bonds*);
- (j) references to persons “**acting in concert**” shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and
- (k) an Event of Default is “**continuing**” if it has not been remedied or waived.

## **2. THE BONDS**

### **2.1 Amount, denomination and ISIN of the Bonds**

- (a) The Issuer has resolved to issue a series of Bonds in the maximum amount of NOK 700,000,000 (the "**Maximum Issue Amount**"). The Bonds may be issued on different issue dates and the Initial Bond Issue will be in the amount of NOK 500,000,000. The Issuer may, provided that the conditions set out in Clause 6.3 (*Tap Issues*) are met, at one or more occasions issue Additional Bonds (each a "**Tap Issue**") until the Nominal Amount of all Additional Bonds equals in aggregate the Maximum Issue Amount less the Initial Bond Issue. Each Tap Issue will be subject to identical terms as the Bonds issued pursuant to the Initial Bond Issue in all respects as set out in these Bond Terms, except that Additional Bonds may be issued at a different price than for the Initial Bond Issue and which may be below or above the Nominal Amount. The Bond Trustee shall prepare an addendum to these Bond Terms evidencing the terms of each Tap Issue (a "**Tap Issue Addendum**").

If the Bonds are listed on an Exchange and there is a requirement for a new prospectus in order for the Additional Bonds to be listed together with the Bonds, the Additional Bonds may be issued under a separate ISIN (such Bonds referred to herein as the "**Temporary Bonds**"). Upon the approval of the prospectus, the Issuer shall (i) notify the Bond Trustee, the Exchange and the Paying Agent and (ii) ensure that the Temporary Bonds are converted into the ISIN for the Bonds.

- (b) The Bonds are denominated in Norwegian Kroner (NOK), being the legal currency of Norway.
- (c) The Initial Nominal Amount of each Bond is NOK 500,000.
- (d) The ISIN of the Bonds is NO001 0874530. All Bonds issued under the same ISIN will have identical terms and conditions as set out in these Bond Terms.

### **2.2 Tenor of the Bonds**

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

### **2.3 Use of proceeds**

- (a) The Issuer will use the net proceeds from the Initial Bond Issue and the issuance of any Additional Bonds for:
- (i) repurchase of bonds in the Issuer's existing FRN Klaveness Ship Holding AS Senior Unsecured Callable Bond Issue 2016/2021 with ISIN NO001 0779549 and ticker KCC03 (the "**Existing Bonds**"); and
- (ii) general corporate purposes.

### **2.4 Status of the Bonds**

The Bonds will constitute senior unsecured debt obligations of the Issuer. The Bonds will rank at least pari passu with all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt.

## **2.5 Transaction Security**

The Bonds are unsecured.

## **3. THE BONDHOLDERS**

### **3.1 Bond Terms binding on all Bondholders**

- (a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.
- (b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

### **3.2 Limitation of rights of action**

- (a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other legal action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.
- (b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

### **3.3 Bondholders' rights**

- (a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.
- (b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

## **4. ADMISSION TO LISTING**

- (a) An application will be made for the Bonds issued on the Issue Date to be listed on Oslo Stock Exchange within 6 months of the Issue Date.

- (b) An application will be made for any Additional Bonds to be listed on Oslo Stock Exchange no later than the date falling 6 months of the date such Additional Bonds were issued.
- (c) The Issuer shall ensure that the Bonds remain listed on an Exchange until the Bonds have been redeemed in full.

## **5. REGISTRATION OF THE BONDS**

### **5.1 Registration in the CSD**

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

### **5.2 Obligation to ensure correct registration**

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

### **5.3 Country of issuance**

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

## **6. CONDITIONS FOR DISBURSEMENT**

### **6.1 Conditions precedent for disbursement to the Issuer**

- (a) Payment of the net proceeds from the issuance of the Bonds to the Issuer shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:
  - (i) these Bond Terms duly executed by all parties hereto;
  - (ii) copies of all necessary corporate resolutions of the Issuer to issue the Bonds and execute the Finance Documents to which it is a party;
  - (iii) a copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer;
  - (iv) copies of the Issuer's articles of association and of a full extract from the relevant company register in respect of the Issuer evidencing that the Issuer is validly existing;
  - (v) copies of the Issuer's latest Financial Reports;

- (vi) confirmation that the applicable prospectus requirements (ref the EU prospectus regulation ((EU) 2017/1129)) concerning the issuance of the Bonds have been fulfilled;
  - (vii) copies of any necessary governmental approval, consent or waiver (as the case may be) required at such time to issue the Bonds;
  - (viii) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);
  - (ix) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Manager in connection with the issuance of the Bonds;
  - (x) the Bond Trustee Fee Agreement duly executed by the parties thereto; and
  - (xi) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).
- (b) The Bond Trustee, acting in its sole discretion, may, regarding this Clause 6.1 (*Conditions precedent for disbursement to the Issuer*), waive the requirements for documentation or decide that delivery of certain documents shall be made subject to an agreed closing procedure between the Bond Trustee and the Issuer.

## **6.2 Distribution**

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee's confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee's discretion or waived by the Bond Trustee pursuant to paragraph (b) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) above.

## **6.3 Tap Issues**

The Issuer may issue Additional Bonds if:

- (a) no Event of Default has occurred or would occur as a result of the making of such Tap Issue;
- (b) the Issuer confirms, at the date of issuance of such Additional Bonds, that the conditions precedent documents in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) are still valid, or provides updates of such documents to the Bond Trustee;
- (c) such Tap Issue is in compliance with applicable laws and regulations as of the time of such Tap Issue;
- (d) the Bond Trustee has executed a Tap Issue Addendum; and
- (e) the representations and warranties contained in Clause 7 (*Representations and Warranties*) of these Bond Terms are true and correct in all material respects and repeated by the Issuer as at the date of issuance of such Additional Bonds.

## **7. REPRESENTATIONS AND WARRANTIES**

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

- (a) at the date of these Bond Terms;
- (b) at the Issue Date; and
- (c) at the date of issuance of any Additional Bonds.

### **7.1 Status**

It is a public limited company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### **7.2 Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

### **7.3 Valid, binding and enforceable obligations**

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

### **7.4 Non-conflict with other obligations**

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any applicable law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

### **7.5 No Event of Default**

- (a) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
- (b) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

## **7.6 Authorizations and consents**

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (a) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and
- (b) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

## **7.7 Litigation**

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

## **7.8 Financial Reports**

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with IFRS, consistently applied.

## **7.9 No Material Adverse Effect**

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

## **7.10 No misleading information**

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

## **7.11 No withholdings**

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

## **7.12 Pari passu ranking**

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4 (*Status of the Bonds*).

# **8. PAYMENTS IN RESPECT OF THE BONDS**

## **8.1 Covenant to pay**

- (a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.

- (b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.
- (c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.
- (d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary have been set out for such payment in the relevant Finance Document.

## **8.2 Default interest**

- (a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus 3 percentage points per annum.
- (b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.
- (c) Upon the occurrence of a Listing Failure Event and for as long as such Listing Failure Event is continuing, the interest on any principal amount outstanding under these Bonds Terms will accrue at the Interest Rate plus 1 percentage point per annum. A Listing Failure Event shall not result in an Event of Default.

## **8.3 Partial Payments**

- (a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:
  - (i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee;
  - (ii) secondly, towards accrued interest due but unpaid; and
  - (iii) thirdly, towards any other outstanding amounts due but unpaid under the Finance Documents.
- (b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities



and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;

- (i) the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*), or
- (ii) as a result of a resolution according to Clause 15 (*Bondholders' decisions*).

#### **8.4 Taxation**

- (a) The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.
- (b) The Issuer shall, if any tax is withheld in respect of the Bonds under the Finance Documents:
  - (i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and
  - (ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.
- (c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

#### **8.5 Currency**

- (a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.
- (b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within 5 Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

#### **8.6 Set-off and counterclaims**

The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

## **9. INTEREST**

### **9.1 Calculation of interest**

- (a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.
- (b) Any Additional Bond will accrue interest at the Interest Rate on the Nominal Amount commencing on the first date of the Interest Period in which the Additional Bonds are issued and thereafter in accordance with Clause 9.1 (a) above.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis). The Interest Rate will be reset at each Interest Quotation Day by the Bond Trustee, who will notify the Issuer and the Paying Agent and, if the Bonds are listed, the Exchange, of the new Interest Rate and the actual number of calendar days for the next Interest Period.

### **9.2 Payment of interest**

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

## **10. REDEMPTION AND REPURCHASE OF BONDS**

### **10.1 Redemption of Bonds**

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

### **10.2 Voluntary early redemption - Call Option**

- (a) The Issuer may redeem all, but not only some of the Outstanding Bonds (the “**Call Option**”) on any Business Day from and including the First Call Date to, but not including, the Maturity Date at a price equal to 100.75 per cent. of the Nominal Amount (plus accrued but unpaid interest on the redeemed amount) for each redeemed Bond.
- (b) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee at least 10 Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.
- (c) Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

### **10.3 Mandatory repurchase due to a Put Option Event**

- (a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the “**Put Option**”) to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount (plus accrued interest).
- (b) The Put Option must be exercised within 30 calendar days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Put Option Event has occurred

pursuant to Clause 12.3 (*Put Option Event*). Once notified, the Bondholders' right to exercise the Put Option is irrevocable and will not be affected by any subsequent events related to the Issuer.

- (c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 5<sup>th</sup> Business Day after the end of 30 calendar days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholder's holding of Bonds at the Put Option Repayment Date.
- (d) If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3 (*Mandatory repurchase due to a Put Option Event*), the Issuer may at its election repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 20 calendar days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Such prepayment of Bonds pursuant to this Clause 10.3 (d) may occur at the earliest on the 15<sup>th</sup> day following the date of such notice.

#### **10.4 Early redemption option due to a tax event**

If the Issuer is or will be required to withhold any tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all or parts of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount (plus accrued interest). The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 Business Days prior to the earliest date on which the Issuer would be obliged to withhold such tax in connection with a payment under the Bond Terms.

### **11. PURCHASE AND TRANSFER OF BONDS**

#### **11.1 Issuer's purchase of Bonds**

The Issuer may purchase and hold Bonds and such Bonds may be retained, sold or cancelled in the Issuer's sole discretion (including with respect to Bonds purchased pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*)).

#### **11.2 Restrictions**

- (a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.
- (b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer

shall not incur any additional liability by complying with its obligations to such Bondholder.

## **12. INFORMATION UNDERTAKINGS**

### **12.1 Financial Reports**

- (a) The Issuer shall prepare Annual Financial Statements in the English language and make them available on its website (alternatively by arranging for publication at [www.stamdata.no](http://www.stamdata.no) or via the distribution system at Oslo Børs (the Oslo Stock Exchange) as long as the Issuer's shares or bonds are listed) as soon as they become available, and not later than 120 days after the end of the financial year.
- (b) The Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period.

### **12.2 Requirements as to Financial Reports**

- (a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Financial Reports pursuant to Clause 12.1 (*Financial Reports*), a Compliance Certificate with a copy of the Financial Reports attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer of the Issuer and shall, unless certified in the Financial Reports, certify, *inter alia*, that the Financial Reports are fairly representing its financial condition as at the date of those Financial Reports, and set out (in reasonable detail) computations evidencing compliance with Clause 13.15(*Financial Covenants*) as at such date.
- (b) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using IFRS consistently applied.

### **12.3 Sustainability Reporting**

- (a) The Issuer shall without being requested to do so:
  - (i) on a quarterly basis report Key Performance Indicators (KPIs) reflecting the energy and operational performance of the fleet, comprising amongst others, A) CO<sub>2</sub> emissions per ton of transported cargo per NM, i.e. Energy Efficiency Operational Indicator (EEOI), B) average CO<sub>2</sub> emissions per vessel, C) ballast days in per cent (%) of available time, D) share of days in combi-trading, and E) health and safety statistics; and
  - (ii) on an annual basis, first time in March 2020, report, amongst others, A) strategic Environmental Social and Governance (ESG) targets, B) detailed environmental Key Performance Indicators (KPIs) per vessel type, C) performance on oil company vettings and port state controls, D) crew and personnel health and safety and % retention rate, E) corporate governance Key Performance Indicators (KPIs), and F) environmental risks and mitigations.

- (b) The reporting format of paragraph (a) (i) and (ii) above may be changed at the Issuers sole discretion in accordance with the applicable market standards of Environmental Social and Governance (ESG) reporting.

#### **12.4 Put Option Event**

The Issuer shall inform the Bond Trustee in writing as soon as possible after becoming aware that a Put Option Event has occurred.

#### **12.5 Information: Miscellaneous**

The Issuer shall:

- (a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;
- (b) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);
- (c) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (d) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange relating to the Bonds;
- (e) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and
- (f) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

### **13. GENERAL AND FINANCIAL UNDERTAKINGS**

The Issuer undertakes to (and shall, unless the Bond Trustee or the Bondholders' Meeting (as the case may be) in writing has agreed to otherwise) at any time comply with the undertakings set forth in this Clause 13 (*General and financial undertakings*).

#### **13.1 Authorisations**

The Issuer shall, and shall procure that each other Group Company will, in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out from time to time if a failure to do so would have Material Adverse Effect.

#### **13.2 Compliance with laws**

The Issuer shall, and shall procure that each other Group Company will comply in all material respects with all laws and regulations it or they may be subject to from time to time.

**13.3 Continuation of business**

The Issuer shall not cease to carry on its business. Further, the Issuer shall ensure that no Material Subsidiary, nor any other Group Company, shall cease to carry on its business if such cessation would have a Material Adverse Effect. The Issuer shall ensure that no substantial change is made to the general nature or scope of the business of the Group from that carried on at the date of these Bond Terms, and/or as set out in these Bond Terms.

**13.4 Corporate status**

The Issuer shall not change its type of organization or jurisdiction of incorporation.

**13.5 Mergers and de-mergers**

- (a) The Issuer shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the assets and obligations of the Issuer or any other Group Company with any other companies or entities not being a member of the Group if such transaction would have a Material Adverse Effect.
- (b) The Issuer shall not, and shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or any other Group Company into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

**13.6 Subsidiaries' Distributions**

The Issuer shall not permit any Subsidiary to create or permit to exist any contractual obligations restricting the right of any of its Subsidiaries to:

- (a) pay dividends or make Distributions to its shareholders; or
- (b) pay any Financial Indebtedness to the Issuer or make any loans to the Issuer,

to the extent such contractual obligation (or encumbrance) is reasonably likely to prevent the Issuer from complying with its payment obligations under these Bond Terms,

except for:

- (a) Subsidiaries owned jointly with a third-party as long as no Group Company is guaranteeing for such Subsidiary's debt, i.e. its debt financing is made on a non-recourse basis; and
- (b) dividend restrictions coming into effect upon a default event in pledge agreements with bank lenders.

**13.7 Financial support**

The Issuer shall procure that no Group Company will, grant any Financial Support to or on behalf of any party, other than any:

- (a) Financial Support from one Group Company to another Group Company;

- (b) Financial Support made or allowed to subsist in its ordinary course of business including guarantees provided on behalf of a Group Company for liabilities of such Group Companies; and
- (c) customary Financial Support provided on behalf of Group Companies in connection with long-term financing of vessels of such Group Companies.

### **13.8 Disposals**

The Issuer shall ensure that no Group Company sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless the transaction is carried out at a fair market value, on terms and conditions, customary for such transactions and such transactions would not have a Material Adverse Effect.

### **13.9 Designation of Material Subsidiaries**

- (a) The Issuer shall nominate as Material Subsidiaries:
  - (i) such Group Companies whose (A) total consolidated assets represent at least 5 per cent. of the total consolidated assets of the Group, or (B) total consolidated net sales represent at least 5 per cent. of the total consolidated net sales of the Group;
  - (ii) any other Subsidiary to which is transferred either (X) all or substantially all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary, or (Y) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had the transfer occurred on or before the relevant date; and
  - (iii) any Subsidiary owning any of the Group's vessels,

always provided that the Issuer shall, if requested, appoint subsidiaries as Material Subsidiaries to procure that Subsidiaries not being Material Subsidiaries shall in aggregate not exceed 20 per cent. of the consolidated net sales/turnover, gross assets or net assets of the Group (as the case may be).

- (b) Such nomination of Material Subsidiaries shall take place once every year in the Annual Financial Statements, or in connection with them.

### **13.10 Listing**

During the term of these Bond Terms, the Issuer shall ensure that its shares remain listed on an Exchange.

### **13.11 Dividend restrictions**

- (a) The Issuer shall not declare or make any Distribution exceeding 50 per cent. of the Issuer's consolidated net profit after taxes based on the audited annual accounts for the previous financial year. Any un-utilized portion of the permitted dividend pursuant to the above may not be carried forward to any subsequent financial year.
- (b) The Issuer may irrespective of paragraph (a) above, declare or make any Distribution (including Distributions exceeding 50 per cent. of the Issuer's consolidated net profit

after taxes based on the audited annual accounts for the previous financial year) provided that the Equity Ratio is minimum 35 per cent. before and immediately after such Distribution has taken place.

**13.12 Ownership of Material Subsidiaries**

The Issuer shall not sell, transfer, assign or otherwise dilute or dispose of any shares or any other ownership interest in any Material Subsidiary to any person not being a member of the Group, unless the transaction is carried out at fair market value, on terms and conditions customary for such transaction and further provided that such transaction does not have a Material Adverse Effect.

**13.13 Arm's length transactions**

The Issuer shall not engage in and shall ensure that no other Group Company engages in, directly or indirectly, any transaction with any party outside the Group (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except on arm's length terms.

**13.14 Insurance**

The Issuer shall, and the Issuer shall procure that each other Group Company will, maintain with financially sound and reputable insurance companies, funds or underwriters adequate insurance or captive arrangements with respect to its properties and business against such liabilities, casualties and contingencies and of such types and in such amounts as are consistent with prudent business practice.

**13.15 Financial Covenants**

- (a) The Issuer shall comply with the following during the term of these Bond Terms:
  - (i) **Equity:** The Issuer shall ensure that the Group at any time maintains (A) Book Equity of minimum USD 125,000,000, and (B) Equity Ratio of minimum 30 per cent.; and
  - (ii) **Minimum Liquidity:** The Issuer shall ensure that the Group at any time maintains minimum Cash and Cash Equivalents of USD 15,000,000.(together, the "**Financial Covenants**").
- (b) The Financial Covenants will apply for the Issuer (on a consolidated basis) at all times and will be tested on a quarterly basis on each Calculation Date and reported within each Reporting Date.
- (c) If the Issuer at any time is in breach with any of the Financial Covenants, the Issuer shall have 21 calendar days to restore such covenant from the date it is reported.

**14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS**

**14.1 Events of Default**

Each of the events or circumstances set out in this Clause 14.1 shall constitute an Event of Default:



(a) *Non-payment*

The Issuer fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

- (i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within 5 Business Days following the original due date; or
- (ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within 5 Business Days following the original due date.

(b) *Breach of other obligations*

The Issuer does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

(c) *Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 20 Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

(d) *Cross default*

If for any Group Company:

- (i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described), or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above

exceeds a total of USD 5,000,000 (or the equivalent thereof in any other currency), for any Group Company, however so that the cross default provision as long as it is not a payment default, it may be temporarily waived by the Bond Trustee, in its sole discretion, if the Issuer is negotiating in good faith with the relevant creditor(s) for the purpose of obtaining a waiver of such event of default and such waiver is granted within 15 Business Days after the occurrence of such event of default.

*(e) Insolvency and insolvency proceedings*

Any Group Company:

- (i) is Insolvent; or
- (ii) is object of any corporate action or any legal proceedings is taken in relation to:
  - (A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganization; or
  - (B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or
  - (C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
  - (D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above of this Clause 14.1 (*Events of Default*) above; or
  - (E) for (A) - (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 Business Days of commencement.

*(f) Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Group Company having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) of this Clause 14.1 (*Events of Default*) and is not discharged within 30 Business Days.

*(g) Unlawfulness*

It is or becomes unlawful for the Issuer to perform or comply with any of its obligations under the Finance Documents to the extent this materially impairs:

- (i) the ability of the Issuer to perform its obligations under these Bond Terms; or
- (ii) the ability of the Bond Trustee to exercise any material right or power vested to it under the Finance Documents.

#### **14.2 Acceleration of the Bonds**

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

- (a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or
- (b) exercise any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

#### **14.3 Bondholders' instructions**

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

- (a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or
- (b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

#### **14.4 Calculation of claim**

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice shall be repayable at a price equal to 100 per cent. of the Nominal Amount plus accrued interest.

### **15. BONDHOLDERS' DECISIONS**

#### **15.1 Authority of the Bondholders' Meeting**

- (a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.
- (b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.
- (c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.

- (d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.
- (e) At least 50 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.
- (f) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (g) below.
- (g) Save for any amendments or waivers which can be made without resolution pursuant to section (i) and (ii) of Clause 17.1 (*Procedure for amendments and waivers*), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of these Bond Terms.

## **15.2 Procedure for arranging a Bondholders' Meeting**

- (a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:
  - (i) the Issuer;
  - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
  - (iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or
  - (iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

- (b) If the Bond Trustee has not convened a Bondholders' Meeting within 10 Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the requesting party may call the Bondholders' Meeting itself.
- (c) Summons to a Bondholders' Meeting must be sent no later than 10 Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).
- (d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

- (e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.
- (f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).
- (g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").
- (h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.
- (i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.
- (j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.
- (k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).
- (l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

### **15.3 Voting rules**

- (a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.
- (b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.
- (c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.
- (d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

### **15.4 Repeated Bondholders' Meeting**

- (a) Even if the necessary quorum set out in paragraph (e) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within 10 Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.
- (b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.
- (c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

### **15.5 Written Resolutions**

- (a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with

the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

- (b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.
- (c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.
- (d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholder's Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:
  - (i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or
  - (ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),shall not apply to a Written Resolution.
- (e) The Summons for a Written Resolution shall include:
  - (i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and
  - (ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), which shall be at least 10 Business Days but not more than 15 Business Days from the date of the Summons.
- (f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.
- (g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been obtained, based on a quorum of the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution will also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.
- (h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being obtained.

- (i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (e) to (g) of Clause 15.1 (*Authority of Bondholders' Meeting*).

## **16. THE BOND TRUSTEE**

### **16.1 Power to represent the Bondholders**

- (a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.
- (b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

### **16.2 The duties and authority of the Bond Trustee**

- (a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.
- (b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.
- (c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.
- (d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.
- (e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.
- (f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to



implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.

- (g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:
  - (i) complying with instructions of the Bondholders; or
  - (ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

- (i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.
- (j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

### **16.3 Equality and conflicts of interest**

- (a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

### **16.4 Expenses, liability and indemnity**

- (a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.

- (b) The Bond Trustee will not be liable to the Issuer for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss.
- (c) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.
- (d) The Bond Trustee shall not be considered to have acted negligently in:
  - (i) acting in accordance with advice from or opinions of reputable external experts;  
or
  - (ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders.
- (e) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.
- (f) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Fee Agreement.
- (g) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.
- (h) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to the Issuer, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee in connection therewith. The Bond Trustee may withhold funds from any escrow account

(or similar arrangement) or from other funds received from the Issuer or any other person, and to set-off and cover any such costs and expenses from those funds.

- (i) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

## **16.5 Replacement of the Bond Trustee**

- (a) The Bond Trustee may be replaced by a majority of 2/3 of Voting Bonds in accordance with the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.
- (b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.
- (c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*). The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.
- (d) The change of Bond Trustee shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.
- (e) Upon change of Bond Trustee, the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

## **17. AMENDMENTS AND WAIVERS**

### **17.1 Procedure for amendments and waivers**

The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:

- (i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes;

- (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
- (iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

**17.2 Authority with respect to documentation**

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

**17.3 Notification of amendments or waivers**

- (a) The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice according to the Bond Trustee's sole discretion is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.
- (b) Prior to agreeing to an amendment or granting a waiver in accordance with Clause 17.1 (*Procedure for amendments and waivers*), the Bond Trustee may inform the Bondholders of such waiver or amendment at a relevant information platform.

**18. MISCELLANEOUS**

**18.1 Limitation of claims**

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

**18.2 Access to information**

- (a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.
- (b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.
- (c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

### **18.3 Notices, contact information**

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

- (a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).
- (b) Notwithstanding paragraph (a) above and provided that such written notification does not require the Bondholders to take any action under the Finance Documents, the Issuer's written notifications to the Bondholders may be published by the Bond Trustee on a relevant information platform only.
- (c) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:
  - (i) if by letter, when delivered at the address of the relevant party;
  - (ii) if by e-mail, when received;
  - (iii) if by fax, when received; and
  - (iv) if by publication on a relevant information platform, when published.
- (d) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.
- (e) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):
  - (i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;
  - (ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and
  - (iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

#### **18.4 Defeasance**

- (a) Subject to paragraph (b) below and provided that:
- (i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the relevant Repayment Date (including, to the extent applicable, any premium payable upon exercise of a Call Option), and always subject to paragraph (c) below (the “**Defeasance Amount**”) is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the “**Defeasance Account**”);
  - (ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the “**Defeasance Pledge**”); and
  - (iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge, then the Issuer will be relieved from its obligations under paragraph (a) of Clause 12.2 (*Requirements as to Financial Reports*), Clause 12.3 (*Put Option Event*), Clause 12.5 (*Information: Miscellaneous*) and Clause 13 (*General and financial undertakings*).
- (b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.
- (c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems necessary.

A defeasance established according to this Clause 18.4 (*Defeasance*) may not be reversed.

### **19. GOVERNING LAW AND JURISDICTION**

#### **19.1 Governing law**

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

#### **19.2 Main jurisdiction**

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

#### **19.3 Alternative jurisdiction**



Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

- (a) to commence proceedings against the Issuer or any of its assets in any court in any jurisdiction; and
- (b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

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These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

<p><b>The Issuer:</b></p> <p>KLAVENESS COMBINATION CARRIERS ASA</p> <p></p> <p>By: <b>LIV DYRNES</b></p> <p>Position: <b>Attorney in fact</b></p>	<p><b>As Bond Trustee:</b></p> <p>NORDIC TRUSTEE AS</p> <p></p> <p>By: <b>Vivian Trøsch</b></p> <p>Position: <b>Authorised signatory</b></p>
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**ATTACHMENT 1  
COMPLIANCE CERTIFICATE**

[date]

**Klaveness Combination Carriers ASA FRN bonds 2020/2025 ISIN NO0010874530**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [•].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated [Annual Financial Statements] / [Interim Accounts] are enclosed.

[With reference to Clause 13.9 (*Designation of Material Subsidiaries*) we hereby nominate the following *Material Subsidiaries*: [•].]

[The Financial Covenants set out in Clause 13.15 (*Financial Covenants*) are met, please see the calculations and figures in respect of the ratios attached hereto.]

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

**Klaveness Combination Carriers ASA**

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Name of authorised person

Enclosure: Annual Financial Statements / Interim Accounts; [and any other written documentation]



**Klaveness Combination Carriers ASA**

Drammensveien 260  
0283 Oslo  
Norway

**Legal Adviser to the Company**

*(as to Norwegian law)*

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Ruseløkkveien 14-16  
0251 Oslo  
Norway