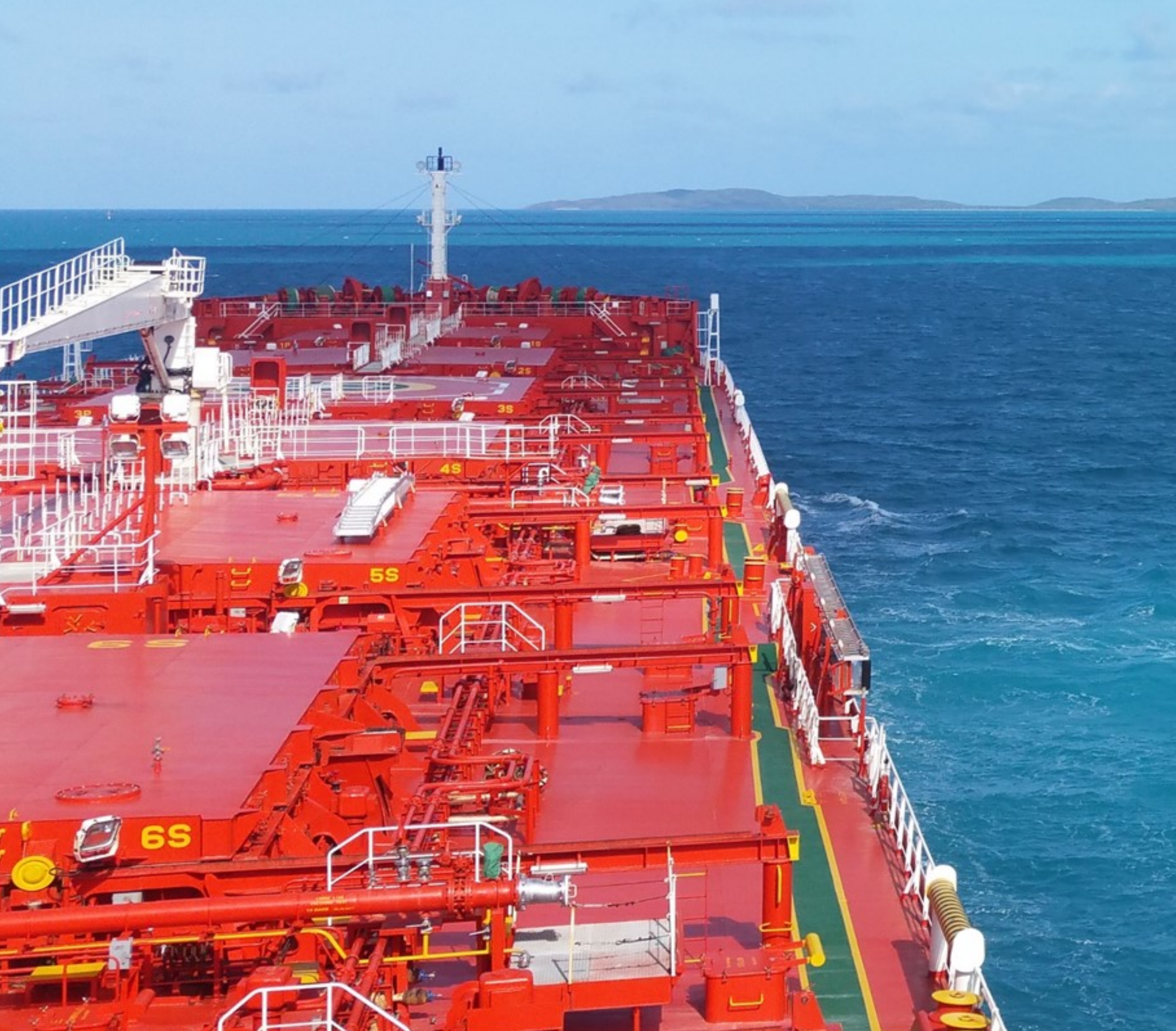
KCC KBA AS

Financial statement

31st December 2019



Board of Directors report 2019

KCC KBA AS was established 12 September 2013 and has its offices in Oslo, Norway. The company is per 31 December 2018 100 % owned by Klaveness Combination Carriers AS. The purpose of the company is shipping and associated activities. Share capital is NOK 6 608 354, consisting of 1000 shares each of NOK 6 608,354.

In 2019, the activity in the company was limited.

There are no employees in KCC KBA AS, hence no actions were planned or implemented to promote equality or prevent discrimination.

The activities in KCC KBA AS do not have any environmental impact.

Net result and financial position

In 2019, the result after tax was positive by USD 3 thousand.

The company's financial position is considered to be adequate. The financial statements are prepared under the assumption of going concern.

The Board of Directors is under the opinion that the financial statements fairly represent the assets and liabilities, financial position and financial result of KCC KBA AS.

Oslo, 31 December 2019
30 March 2020

Lasse Kristoffersen Chairman of the Board	Liv Hege Dyrnes Board Member
Engebret Dahm Managing director	Morten Skedsmo Board Member

KCC KBA AS

Income Statement

USD '000	Note	Year ended 31 December 2019	2018
Group administrative services	Note 2, 7	(9)	(9)
Other operating and administrative expenses	Note 3	(6)	(3)
Total operating expenses		**(14)**	**(12)**
Operating profit		**(14)**	**(12)**
Finance income	Note 4	17	10
Profit before tax		**3**	**(2)**
Income tax expenses	Note 9	-	-
Profit after tax		**3**	**(2)**
Profit/(loss) from discontinued operations		-	-
Profit for the year		3	(2)

Statement of Other Comprehensive Income

USD '000	Note	2019	2018
Discontinued operations			
Profit of the year		**3**	**(2)**
Other comprehensive income to be reclassified to profit or loss		-	-
Net other comprehensive income to be reclassified to profit or loss		**-**	**-**
Other comprehensive income not to be reclassified to profit or loss		-	-
Net other comprehensive income not to be reclassified to profit or loss		**-**	**-**
Other comprehensive income/(loss) for the period, net of tax		**-**	**-**
Total comprehensive income/(loss) for the period, net of tax		**3**	**(2)**

KCC KBA AS

Balance Sheet Statement

USD '000	Note	2019	2018
		As at 31 December	
Current assets			
Receivables from related parties	Note 6	260	-
Cash and cash equivalents	Note 5	307	564
Total current assets		**567**	**564**
TOTAL ASSETS		**567**	**564**
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 8	1 109	1 109
Share premium		6 091	6 091
Retained earnings		(6 633)	(6 636)
Total equity		**567**	**564**
TOTAL EQUITY AND LIABILITIES		**567**	**564**

Oslo, 31 December 2019

Oslo, 30 March 2020

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board Member

Engebret Dahm
Managing Director

Morten Skedsmo
Board Member

Statement of Changes in Equity

	Attributable to equity holders of the parent			
USD '000	Share capital	Share premium	Retained earnings	Total
Equity at 31 December 2017	**1 109**	**6 091**	**(6 634)**	**566**
Profit (loss) for the period			(2)	(2)
Other comprehensive income for the period				-
Total comprehensive income for the period			**(2)**	**(2)**
Equity at 31 December 2018	**1 109**	**6 091**	**(6 636)**	**564**
Profit (loss) for the period			3	**3**
Other comprehensive income for the period		-		-
Total comprehensive income for the period			**3**	**3**
Paid group contribution				-
Equity at 31 December 2019	**1 109**	**6 091**	**(6 633)**	**567**

KCC KBA AS

Statement of Cash Flows

USD '000	2019	2018
Profit before tax	3	(2)
Interest income	(17)	(10)
Change in current assets	(260)	4
Change in current liabilities	-	-
Change in other accruals	-	-
Interest received	17	10
A: Net cash flow from operating activities	**(257)**	**2**
B: Net cash flow from investment activities	**-**	**-**
C: Net cash flow from financing activities	**-**	**-**
Net change in liquidity in the period (A + B + C)	**(257)**	**2**
Cash and cash equivalents at beginning of period	564	562
Cash and cash equivalents at end of period	307	564
Net change in cash and cash equivalents in the period	**(257)**	**2**

CORPORATE INFORMATION

KCC KBA AS (”the company”) is a private limited company domiciled and incorporated in Norway. The company has headquarter and is registered in Drammensveien 260, 0212 Oslo. The company’s kamsarmax vessel Bavang was sold in 2016. After sale of the vessel, the company no longer has any significant activity. The company was established 12 September 2013.

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

The financial statements for KCC KBA AS for the fiscal year 2019 are approved in the board meeting at 30 March 2019.

BASIS OF PREPARATION

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

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

FOREIGN CURRENCY TRANSACTIONS

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

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

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

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was USD/NOK 8.8025 in 2019 (2018: 8.1347). At year-end 2019 an exchange rate of USD/NOK 8.8176 (2018: 8.6885) was used for the valuation of balance sheet items.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

The estimates are based on the actual underlying business, its present and forecast profitability over time, and expectations about external factors such as freight rates, interest rates, foreign exchange rates, oil prices and more which are outside the company’s control. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods. Changes in accounting estimates are recognized in the period the changes occur. When changes to estimates also affect future periods the effect is distributed between of the current and future periods.

Significant estimates, assumptions and judgments

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

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

OPERATING EXPENSES

Operating expenses relate to management- and audit fees.

INCOME TAX

Tax expenses in the profit and loss account comprise both tax payable for the accounting period and changes in deferred tax. Deferred tax is calculated at 22 % on the basis of temporary differences between tax and accounting values of assets and liabilities that exist at the balance sheet date. Deferred taxes are recognized using the liability method in accordance with IAS 12. Deferred tax assets are recognized for all deductible temporary differences, unused tax credits carried forward and unused tax losses carried forward to the extent it is probable that future taxable profits may be used against deductible temporary differences and unused tax losses carried forward.

Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax liabilities/deferred tax assets within the same tax system are recorded on a net basis. Income tax relating to items recognized directly in equity is included directly in equity and not in the statement of income.

CASH AND CASH EQUIVALENTS

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

EQUITY

Transaction costs related to an equity transaction are recognized directly in equity, net of tax.

DIVIDENDS/COMPANY CONTRIBUTION

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

PROVISIONS

A provision is recognized when the company has a present obligation (legal and constructive) as a result of a past event, it is probable that the company will be required to settle the obligation and a reliable estimate can be made of the amount.

Provisions usually relate to legal claims.

Provisions for loss-making contracts are recognized when the company's estimated revenues from a contract are lower than unavoidable costs which were incurred to meet the obligations pursuant to the contract (ref description of onerous contracts in section "Significant estimates and assumptions").

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

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

Subsequent measurement

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

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

Financial assets at amortised cost

The company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The company’s financial assets at amortised cost includes trade receivables, and loan to related parties.

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

RELATED PARTIES

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

EVENTS AFTER BALANCE SHEET DATE

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

CLASSIFICATION OF ITEMS IN THE BALANCE SHEET

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

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

CASH FLOW STATEMENTS

The cash flow statements are based on the indirect method.

STANDARDS, AMENDMENTS AND INTERPRETATIONS

The financial statements have been prepared based on standards, amendments and interpretations effective for the year ending 31 December 2019.

Note 2 - Group administrative services

USD '000	2019	2018
Accounting fee and other administrative fees to Klaveness AS	9	9
Group administrative services	**9**	**9**

Note 3 - Other operating and administrative expenses

The company has no employees and has thus no wage expenses or pension liabilities. The managing director and members of the Board of Directors are employees of other companies within Rederiaksjeselskapet Torvald Klaveness (ultimate parent company). No special remuneration has been paid to the various members of the Board of Directors, because such positions of office are a part of their regular employment.

Remuneration to the auditor

USD'000	2019	2018
Statutory audit	6	3
Total expensed audit fee	**6**	**3**

Auditor's fee are stated excluding VAT.

Note 4 - Finance income and finance costs

USD'000	2019	2018
Interest received from related parties	9	-
Other interest income	8	10
Total finance income	**17**	**10**

Note 5 - Cash and cash equivalents

The company has bank deposits in the following currencies:

USD'000	2019	2018
Bank deposits, USD	307	564
Total cash and cash equivalents	**307**	**564**

The company has no restricted cash.

Note 6 -Liabilities and receivables related parties

Current receivables related parties	2019	2018
Klaveness Combination Carriers ASA	260	-
Current receivables related parties	**260**	**-**

Note 7 - Transactions with related parties

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

The company has undertaken agreements and transactions with related parties in the RASTK Group. The level of fees are based on market terms and are in accordance with the arm's length principle.

Klaveness AS delivers services to the company performed by corporate functions like management, legal, accounting & controlling and risk management department. For newbuilding contracts in process, Klaveness AS delivers supervision and project management services,

USD'000

Supplier	Type of agreement	2019	2018
Klaveness AS (related company)	Accounting fee and other adm fee	9	9
		9	**9**

Note 8 - Share capital, shareholders, dividends and reserves

	2019		2018	
Share capital	**Number**	**NOK**	**Number**	**NOK**
Ordinary shares of NOK 1 000	1 000	6 608 354	1 000	6 608 354

All shares are issued and fully paid.

All shares are owned by Klaveness Combination Carriers ASA. No dividends are paid or proposed for the years 2019 and 2018.

Note 9 - Taxes

KCC KBA AS exited the Norwegian tonnage tax regime per January 1, 2016, due to the sale of the company's qualifying asset during the year. Ingoing taxable values were set according to the Tax Act § 8-17 (8-14) at the time of exit. Realised loss on the sale of the vessel is included in the temporary gains and losses account. Ordinary taxation rules have been applied since 2017.

Calculation of tax payable	2019	2018
Profit/ (loss) before tax, incl OCI	3	(2)
Change in temporary differences	(157)	(235)
Currency effects	19	80
Tax basis before group contribution	(135)	(158)
Income taxes payable (22 %)*	-	-

Reconciliation of actual tax expense against expected tax cost in accordance with the ordinary Norwegian income tax rate of 23 %	2019	2018
Profit /(loss) before tax, incl OCI	3	(2)
Estimated tax at 22 % statutory rate	1	-
Exchange rate differences	29	18
Changes in deffered taxes that is not capitalized	(30)	(35)
Change in tax rate	-	18
Income tax expenses	**-**	**-**
Effective tax rate	0,0 %	0,0 %

Temporary differences - ordinary taxation	Temporary difference	2019 Tax effect	Temporary difference	2018 Tax effect
Gains and losses account	(584)	(128)	(741)	(163)
Loss carried forward	(1 135)	(250)	(1 015)	(223)
Deferred tax liability/ asset (-) not recognised in balance sheet (22 %)	**(1 719)**	**(378)**	**(1 756)**	**404**

Note 10 - Financial risk management

Capital management

Capital management of the company is overseen on Group level, see note 13 in the consolidated accounts of parent company Klaveness Combination Carriers ASA.

The company is exposed to operational risk, market risk (including but not limited to currency risk), credit/counterpary risk and liquidity risk. The risks are further described in note 13 in the consolidated accounts of parent company Klaveness Ship Holding AS.

Foreign currency risk and interest rate risk

The company's revenue and costs are denominated primarily in US Dollar (USD) which is the functional currency of the company. No direct currency hedge has been made towards the small portion of costs incurred in foreign currencies, but if there are significant transactions in other currencies, hedging is evaluated. Fluctuations in USD against NOK may affect the company's tax payable, which will be calculated and paid in NOK. This effect is considered to be limited.

The company has per year end 2019 no interest bearing debt.

Counterparty/credit risk

No significant counterpart/credit risk is identified for the company as per year end 2019.

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its liabilities when they fall due. Liquidity risk is managed by the company's treasury department. The company keeps its liquidity reserves mainly in cash and bank deposits. The liquidity risk is considered to be limited as the deposits are considered sufficient for all needs in the forseeable future.

Note 11 - Events after the balance sheet date

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December 2019.

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Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of KCC KBA AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KCC KBA AS, which comprise the balance sheet as at 31 December 2019, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

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includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

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

Opinion on registration and documentation

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

Oslo, 30 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Nordby
State Authorised Public Accountant (Norway)

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

Johan Nordby
Statsautorisert revisor
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