BOARD OF DIRECTOR'S REPORT 2020

KCC KBA AS was established 12 September 2013 and is fully owned by Klaveness Combination Carriers ASA (KCC ASA). KCC KBA AS is located in Oslo, Norway. The company's business activities are mainly related to shipping and associated activities.

As per year-end 2020, the Company owns one CLEANBU combination carrier, which is both a full-fledged LR1 product tanker and a Kamsarmax dry bulk vessel. The Company is subject to the Norwegian ordinary tax system.

The business

Safety is number one priority in KCC KBA AS and to the Board's satisfaction there were no major incidents in 2020. The Company is monitoring the development of the COVID-19 virus outbreak and is continuously assessing current and potential impact on crew and operations. The main challenge throughout the pandemic has been the very limited possibilities for crew changes and to make sure ther is not infected crew onboard vessels.

In May 2020 the Company purchased three vessels MV Baramundi, MV Barracuda and MV Baru from related company KCC Shipowning AS, prior to fixing on tanker time charter contracts with durations of three to nine months. The internal vessel sales were carried out as there was a possibility the vessels would be used as floating storage during the contract period, which would disqualify the original owner from the Norwegian tonnage tax regime. After the end of their contract periods, MV Baru and MV Barramundi were repurchased by KCC Shipowning AS in July 2020. As the sales were between controlled parties, prices were determined based on a discounted cash flow model. The vessels were financed mainly through loans and seller's credit from KCC Shipowning AS and Klaveness Combination Carriers ASA. Due to exchange rate fluctuations the transactions gave rise to a taxable income in the Company. MV Barracuda has been sold back to KCC Shipowning AS in February 2021.

The vessels had a high time charter equivalent of USD 33 000 per day during their time under Company ownership and as such the vessels delivered a solid result in 2020.

The vessels were under the technical management of Klaveness Ship Management AS in 2020. To meet the requirements related to safety and environment as well as to prevent pollution, significant resources are used on quality- and risk management. The vessels are operated under the principles for quality control in accordance with the ISM code. In addition to operating according to technical precautions established in ISM and MARPOL to protect the environment, the Company seeks to reduce the burden on the environment by increasing the efficiency of transport and reducing ballast voyages.

There are no employees in KCC KBA AS, hence no actions were planned or implemented to promote equality or prevent discrimination. The Board of Director's consist of two men and one woman.

Risk and risk management

Risk management of the combination carrier activities is performed by the management and through services rendered from the affiliated companies, Klaveness AS and Klaveness Ship Management AS. Risk assessment, monitoring and implementation of mitigating actions are a part of daily activities. It is important for the Board of Directors that the right risk reward assessment is made and that internal control routines are good.

Market risk
Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Company's vessels. At year-end the Vessel owned by KCC KBA AS was on a time charter contract until the Vessel was sold in February 2021.

Operational risk
Operational risks are mainly related to the operation of vessels. The Company's vessel, until it was sold in February 2021, was on technical management to Klaveness Ship Management AS (affiliated company) which ensured compliance with IMO, flag and port state regulations.

Financial risk
The Company was in 2020 exposed to i.e. freight rate risk, bunker fuel price risk, as well as risks relating to counterparties (including credit), operations, technical, regulations and other risks.

Environmental risks
Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject the Company to liability without regard to whether the Company was negligent or at fault. Quality is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the outmost regard for the safety of employees, the public and the environment, in accordance with sound business practice and in compliance with environmental regulations. During a discharge operation, one of the vessels experienced a leakage onto the deck. The leakage was limited, and discharging was stopped immediately, however, due to heavy rain it was not possible to stop it from reaching the water. The incident was investigated, and procedures evaluated.

Regulatory risks
Changes in the political, legislative, fiscal and/or regulatory framework governing the activities of the Company could have material impact on the business. To limit this exposure, procedures have been implemented to comply with all applicable environmental regulations and sanctions legislation, and all counterparties go through a due diligence checks.

Foreign currency risk and interest rate risk
The Company's revenue and costs are denominated primarily in US Dollar (USD). Fluctuations in USD against NOK may affect the company's tax payable, which is calculated and paid in NOK. At year-end the Company has long-term interest-bearing debt that is exposed to floating interest rate. All interest-bearing debt was repaid in February 2021.

Financial results
Financial results reflect the change in business activities as the Company purchased three vessels in 2020, while there were no activities in 2019. Operating revenue in 2020 was USD 14.6 million (2019: USD 0 million) and operating expenses amounted to USD 5.7 million (2019: USD 0 million). Operating profit before depreciation was USD 8.9 million for 2020 (2019: 0 million). Net financial items were negative by USD 2.9 million in 2020 down from positive USD 0 million in 2019. The negative effect from net financial items is related to intercompany loan interest expenses. The Company incurred taxes payable of USD 1.8 million mainly due to exchange rate fluctuations between the vessel purchases and resales. The taxes will be offset against a group contribution from KCC ASA. Net profit after tax was USD 0.7 million for 2020 (2019: USD 0 million).

Total assets increased by USD 59.7 million in 2020 from USD 0.5 million at year end 2019 to USD 60.3 million. The main reason for the changes in total assets is the purchase of the CLEANBU vessel. Interest-bearing debt increased by USD 54.9 million during 2020 and amounted to USD 54.9 million at year-end 2020. As of 31 December 2020, equity amounted to USD 1.2 million (2019: USD 0.6 million). Total comprehensive income was positive by USD 0.66 million. The book equity ratio at year-end 2020 was 2 % (2019: 100%). Following the final vessel resale and corresponding repayment of internal loans, the Company has an equity ratio of 55% as of March 2021.

Cash and bank deposits were USD 7.6 million by the end of 2020, up from USD 0.3 million at year-end 2019. The cash flow from operating activities was USD 12.6 million in 2020 (2019: negative USD 0.3 million), while cash flow from investing activities was negative USD 7.3 million (2019: USD 0 million). The latter consists mainly of investment new vessels. The cash flow from financing activities was USD 1.9 million (2019: USD 0 million) whereof proceeds from mortgage debt exceeded debt repayment and interests.

The Board of Directors confirms that the financial accounts have been prepared under a going concern assumption.

<u>Oslo, 31 December 2020</u>
24 March 2021

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Lasse Kristoffersen
Chairman of the Board

____
Liv Hege Dyrnes
Board Member

____
Engebret Dahm
CEO

____
Morten Skedsmo
Board Member

KCC KBA AS

Financial Statement
31 December 2020

Klaveness
Combination Carriers

KCC KBA AS

Income Statement

USD '000	Note	Year ended 31 December 2020	2019
Operating revenue, vessels	Note 2	14 583	-
Total operating revenue		**14 583**	**-**
Voyage costs	Note 3	(516)	-
Operating expenses, vessels	Note 4	(3 110)	-
Loss from sale of assets	Note 8	(1 469)	-
Group administrative services	Note 4, 9	(354)	(9)
Other operating and administrative expenses	Note 4, 5	(206)	(6)
Operating profit before depreciation		**8 928**	**(14)**
Ordinary depreciation	Note 8	(2 521)	-
Impairment for the year	Note 8	(995)	-
Operating profit after depreciation		**5 412**	**(14)**
Finance income	Note 6	8	17
Finance costs	Note 6	(2 952)	-
Profit before tax		**2 468**	**3**
Income tax expenses	Note 11	(1 810)	-
Profit after tax		**657**	**3**
Profit/(loss) from discontinued operations		-	-
Profit for the year		657	3

KCC KBA AS

Balance Sheet Statement

		As at 31 December	
USD '000	Note	2020	2019
ASSETS			
Non-current assets			
Vessels	Note 8	52 363	-
Right-of use asset	Note 13	128	-
Total non-current assets		**52 492**	**-**
Current assets			
Receivables to related parties	Note 9	5	260
Prepaid expenses		114	-
Other short-term receivables		90	-
Cash and cash equivalents	Note 7	7 565	307
Total current assets		**7 774**	**567**
TOTAL ASSETS		**60 266**	**567**
EQUITY AND LIABILITIES			
Equity			
Share capital	Note 10	1 109	1 109
Share premium		6 091	6 091
Retained earnings		(5 976)	(6 633)
Total equity		**1 224**	**567**
Non-current liabilities			
Other long-term liabilities to group companies	Note 9	53 237	-
Long term lease liabilities	Note 13	98	-
Total non-current liabilities		**53 334**	**-**
Current liabilities			
Accounts payable		45	1
Short-term loan to related parties	Note 9	1 722	-
Current debt to related parties	Note 9	1 408	-
Tax payable	Note 11	1 810	-
Short term lease liabilities	Note 13	35	-
Other current liabilities		688	(1)
Total current liabilities		**5 707**	**0**
TOTAL EQUITY AND LIABILITIES		**60 266**	**567**

Oslo, 31 December 2020

Oslo, 24 March 2021

Lasse Kristoffersen
Chairman of the Board

Liv Hege Dyrnes
Board Member

Engebret Dahm
CEO

Morten Skedsmo
Board Member

Statement of Other Comprehensive Income

USD '000	Note	2020	2019
Discontinued operations			
Profit of the year		**657**	**3**
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		**657**	**3**

Statement of Changes in Equity

(USD '000)	Share capital	Share premium	Retained earnings	Total
	Attributable to equity holders of the parent			
Equity at 1 December 2019	**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**
Equity at 31 December 2019	**1 109**	**6 091**	**(6 633)**	**567**
Profit (loss) for the period			657	**657**
Other comprehensive income for the period				-
Total comprehensive income for the period			**657**	**657**
Paid group contribution				-
Equity at 31 December 2020	**1 109**	**6 091**	**(5 976)**	**1 224**

Statement of Cash Flows

(USD '000)		2020	2019
Profit before tax		2 468	3
Loss/ (gain) on sale of fixed assets		1 469	-
Impairment loss (-) / reversal		995	-
Ordinary depreciation		2 521	-
Interest income		(8)	(17)
Interest expenses		2 941	-
Change in current assets		51	(260)
Change in current liabilities		2 140	-
Interest received		8	17
A: Net cash flow from operating activities		**12 584**	**(257)**
Acquisition of tangible assets *	Note 8	(15 780)	-
Sales of asset *	Note 8	8 469	-
B: Net cash flow from investment activities		**(7 311)**	**-**
Proceeds from loan from related parties	Note 9	19 000	-
Repayment of loan from related parties	Note 9	(14 043)	-
Interest paid	Note 9	(2 941)	-
Repayment of financial lease liabilities	Note 14	(32)	
C: Net cash flow from financing activities		**1 985**	**-**
Net change in liquidity in the period (A + B + C)		**7 257**	**(257)**
Cash and cash equivalents at beginning of period		307	564
Cash and cash equivalents at end of period		7 565	307
Net change in cash and cash equivalents in the period		**7 258**	**(257)**

* The intercompany seller's credit is excluded from the investment- and financing activities. See note 8 and 9 for gross value of the transactions.

CORPORATE INFORMATION

KCC KBA AS ("the company") is a private limited company domiciled and incorporated in Norway. The company is headquartered and registered in Drammensveien 260, 0212 Oslo. The company was established 12 September 2013.

The objective of the Company is to provide transportation for drybulk, chemical and product tanker clients, as well as new investment and acquisition opportunities that fits the Company's existing business platform. The Company has purchased three CLEANBU vessels in 2020 of which two were resold to the original owner during the year; such that at year-end, the company has one CLEANBU vessel in operation. The CLEANBU is a fully fledged LR1 product tanker and Kamsarmax dry bulk vessel.

The Company is a subsidiary of the listed Company Klaveness Combination Carriers ASA. The consolidated financial statements for the Group are available at www.combinationcarriers.com. 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 2020 are approved in the board meeting at 24 March 2021.

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 9.4264 in 2020 (2019: 8.8025). At year-end 2020 an exchange rate of USD/NOK 8.5375 (2019: 8.8176) 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

Carrying amount of vessels, depreciation and impairment

In addition to historical cost, the carrying amount of vessels is based on management's assumptions of useful life. Useful life for the combination carrier vessels is reassessed on a yearly basis. The useful life for the vessel is set to 25 years.

At the end of each reporting period the Company will assess whether there is any indication of impairment. If any indication exists, the Company will estimate the recoverable amount of the asset. Recoverable amount is set as the highest of fair value less cost to sell and value in use. If carrying value exceeds the estimated recoverable amount, impairment is recognized. Impairments are reversed in a later period if recoverable amount exceeds carrying amount.

Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. As per year end 2019 and 2020 no indicators for impairment were identified. However, the Barracuda vessel was impaired with USD 1 million, after use of discounted cash flow model.

REVENUE RECOGNITION

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

The Company's revenue in ship owning companies derives from chartering (hiring) out its vessels to operating companies Company receives a variable time charter revenue. Revenue from time charters are accounted for as operating leases under IAS 17. The Company's time charter contracts have a duration of 1-3 months.

Revenues and costs associated with the vessels' voyages are accrued according to the share of voyage days that occur before closing (percentage of completion method). Voyage accounting consists of actual figures for completed voyages and estimates for voyages in progress. Except for any period a vessel is declared off-hire due to technical or other owner's matters, a ship is always allocated to a voyage.

OPERATING EXPENSES

Operating expenses relate to management- and audit fees.

Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lubricant oils and management fees. When vessels are on hire, the majority of vessel operating expenses are reimbursed from the charterer. When the vessel is off hire, vessel operating expenses are mainly for owners account.

RIGHT OF USE OF ASSETS

The company adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospective method. On initial application of IFRS 16, the Company elected to use the following practical expedients:

- Lease contracts with a duration of less than 12 months will continue to be expensed to the income statement.

- Lease contracts for underlying assets of a low value will continue to be expensed to the income statement.

The Company has elected to use the exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Lease contracts which is not part of the exemptions are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate. The right-of-use assets are measured at an amount equal to the lease liability at the date of implementation. The right-of-use asset is depreciated on a straight-line basis over the lease term.

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

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.

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

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

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 15.

Derecognition

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

INVENTORIES

Inventories consist mainly of lubricant oil and are recognized at cost in accordance with the first in – first out method (FIFO). Inventories are valued at the lower of cost and net realizable value. Impairment losses are recognized if the net realizable value is lower than the cost price.

CASH AND CASH EQUIVALENTS

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

EQUITY

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

DIVIDEND DISTRIBUTION/GROUP CONTRIBUTION

Dividend payments to the Company's shareholders and contribution are recognized as a liability in the Company's financial statements from the date when the dividend 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 (see description of onerous contracts in section "Significant estimates and assumptions").

RELATED PARTIES

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

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 2020.

Note 2 - Operating Revenues

(USD '000)	2020	2019
Time charter revenues	14 583	-
Total operating revenues	**14 583**	**-**

Note 3 - Voyage Costs, Vessels

(USD '000)	2020	2019
Freight expenses	187	-
T/C-hire	-	-
Voyage expenses	85	-
Various expenses	244	-
Total voyage expenses	**516**	**-**

Note 4 - Operating expenses

(USD '000)	2020	2019
Technical expenses	954	-
Crew costs	1 826	-
Insurance	226	-
Crewing agency fee to Klaveness Ship Management AS	99	-
IT fee to Klaveness AS	6	-
Other operating expenses	206	9
Total operating and other operating expenses	**3 316**	**9**

Technical expenses are costs related to spare parts, consumables, cargo handling, power supply, navigation and communication. Crew costs include sea personnel expenses such as wages, social costs, travel expenses and training. Costs related to technical management, maintenance and crewing services are recognised as operating expenses, see note 9 for transactions with related parties.

Note 5 - 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 Klaveness Combination Carriers ASA and 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)	2020	2019
Statutory audit	2	6
Other assurance services	7	-
Total expensed audit fee	**9**	**6**

Auditor's fee are stated excluding VAT.

Note 6 - Finance income and finance costs

(USD '000)	2020	2019
Interest received from related parties	3	9
Other interest income	5	8
Total finance income	**8**	**17**

(USD '000)	2020	2019
Interest paid to related parties	2 941	
Other financial expenses	10	-
Gain / (loss) on foreign exchange	1	-
Total finance expense	**2 952**	**-**

Note 7 - Cash and cash equivalents

The company has bank deposits in the following currencies:

(USD '000)	2020	2019
Bank deposits, USD	7 565	307
Total cash and cash equivalents	**7 565**	**307**

The company has no restricted cash.

Note 8 - Vessels

(USD '000)	2020	2019
Cost price 1.1	-	-
Purchase of vessels	157 800	-
Additions (upgrading and docking)	12	-
Disposals of vessels	(101 969)	
Costprice end of period	**55 844**	**-**
Acc. Depreciation 1.1	-	-
Depreciation vessels	2 486	-
Acc. Depreciation end of period	**2 486**	**-**
Acc. impairment losses 1.1	-	-
Impairment for the year	995	-
Acc. impairment losses 31.12	**995**	**-**
Carrying amounts end of period*	**52 363**	**-**
*) carrying value of vessels includes dry-docking		
No. of vessels	1	
Useful life	25	
Depreciation schedule	Straight-line	

Reconciliation of depreciations (USD '000)	2020	2019
Depreciation vessels	2 486	-
Depreciation right of use assets	36	-
Depreciations for the period	**2 521**	-

(USD '000)	2020	2019
Loss from sale of vessels	1 469	-

Additions / Disposals

In 2020 the Company purchased MV Baramundi, MV Barracuda and MV Baru from related company KCC Shipowning AS. MV Baramundi and MV Baru were sold back to KCC Shipowning AS in June and July respectively, at a total loss of USD 1.47 million. As the sales were internal, prices were determined based on a discounted cash flow model. The vessels were financed through loans and seller's credit from KCC Shipowning AS and Klaveness Combination Carriers ASA, refer to note 9 for details. Due to exchange rate fluctuations the transactions gave rise to a taxable income in the Company, refer to note 11 for details. MV Barracuda was on the TC- contract as of 31 December 2020. As of February 2021 MV Barracuda has decide to be been sold back to KCC Shipowning AS in February 2021.

Pledged Vessels
All owned vessels are pledged to secure the various loan facilities.

Impairment assessment
As per 31 December 2020 MV Barracuda was impaired with USD 1 million. The impairment was estimated based on the expected sales price of the vessel as of 11. February 2021. related to sale back of MV Barracuda 11. February 2021. See note 14 subsequent events.

Note 9 - Transactions with related parties

Services

The ultimate owner of the company 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 ASA (KCC ASA), which owns 100 % of KCC KBA AS.

The Company has undertaken several agreements and transactions with related parties both under control of Klaveness Combination Carriers ASA and in the RASTK Group. The level of fees are based on cost + a margin in range 5-10 % in accordance with the arm's length principle and OECDs guidelines. Technical management is based on a fixed annual fee in line with market practice for such services.

Klaveness AS (affiliated company) delivers administrative and business management services (G&A) to the Company such as accounting, legal, IT services, rent and office services, management (CEO and CFO time). In 2020, management personnel were employed in Klaveness Combination Carriers ASA, and subsequently, CEO, CFO and financial services were purchased from this company.

(USD '000) Transactions with related parties	2020	2019
G&A fee to Klaveness AS	-	9
Commercial management fees (KSM & Klaveness Combination Carriers ASA)	354	-
Group commercial and administrative services	**354**	**9**
Technical management fee to KSM (reported as part of opex)	960	-
Crewing agency fee to KSM (reported as part of opex)	99	-
Interest costs to related parties (KCC Shipowning AS & Klaveness Combination Carriers ASA)	2941	-
Total other transactions with related parties	**3 999**	-

(USD '000) Receivables and debt to related parties	31 Dec 2020	31 Dec 2019
Long-term liability to related parties (KCC Shipowning AS)	46 737	-
Long-term liability to subsidiary (Klaveness Combination Carriers ASA)	6 500	-
Other long-term liabilities to group companies	**53 237**	
Payables to related parties (Klaveness AS)	418	-
Payables to related parties (KCC Shipowning AS)	561	-
Payables to related parties (Klaveness Combination Carriers ASA)	94	-
Payables to related parties (KCC Chartering AS)	334	-
Current debt to related parties	**1 408**	-
Short term loan to related parties (KCC Shipowning AS)	1 722	-
Short term loan to related parties	**1 722**	-
Receivables from related parties (Klaveness Combination Carriers ASA)		260
Receivables from related parties (KSM AS)	5	-
Current receivables to related parties	**5**	-

In 2020 the Company sold three vessels MV Baru, MV Barracuda og MV Barramundi to KCC KBA AS for an amount of USD 157.8 million. MV Baru and MV Barramundi have since been repurchased for an amount of USD 100.5 million. The transactions were financed through issuance of loans from KCC Shipowning AS and Klaveness Combination Carriers ASA. The pricing of the loans are based on arm length principle.

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

(USD '000)	Interest payable	Short term lease liabilities	Interest bearing short-term debt	Interest bearing long-term debt	Share capital/premium reserve	Other equity	Total
Balance at 1 January 2020	**-**	**-**	**-**	**-**	**7 200**	**6 633**	**13 267**
Repayment of morgage loan				19 000			
Proceeds from morgage loan (net transaction cost)				(14 043)			
Transaction costs on issuance of loans							
Interest paid	(2 941)						
Purchase of own shares							
Repayment of lease		(32)					
Terminated financial instruments							
Dividends to non- controlling interests							
Acquisition of non-controlling interests							
Total Changes from financing cash flow	(2 941)	(32)	-	4 957	-	-	1 985
Liability- related							
Expensed capitalised borrowing costs							
Non-cash movement			1 722	48 280		(657)	
Total liability- related changes		**-**	**1 722**	**48 280**	**0**	**-657**	
Total equity-related other changes							
Balance at 31 December 2020		**(32)**	**1 722**	**53 237**	**7 200**	**5 976**	**15 252**

(USD '000)	Interest payable	Short term lease liabilities	Interest bearing short-term debt	Interest bearing long-term debt	Share capital/premium reserve	Other equity	Total
Balance at 1 January 2019					**7 200**	**(6 634)**	
Repayment of mortgage debt							
Proceeds from mortgage debt							
Transaction costs on issuance of loans							
Interest paid							
Capital increase (net of transaction costs)							
Group contribution							
Dividends							
Terminated financial instruments							
Repayment of lease							
Total Changes from financing cash flow	-	-	-	-	-	-	-
Liability- related							
Expensed capitalised borrowing costs							
Non-cash movement				-			-
Total liability- related changes	**0**	**0**	**-**	**-**	**-**	**-**	**-**
Total equity-related other changes						**13 267**	**13 267**
Balance at 31 December 2019		**-**	**-**	**-**	**7 200**	**6 633**	**13 267**

Note 10 - Share capital, shareholders, dividends and reserves

	2020		2019	
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 2020 and 2019.

Note 11 - Tax

The company is regulated by ordinary taxation rules in Norway. The ordinary rate of corporation tax in Norway is 22 % for 2020 (22 % in 2019). Deferred tax assets are recognised to the extent that future utilization can be justified which is probable as per 31 December 2020. The Company has a tax cost of USD 1.8 million in 2020, presented as tax payable in the balance sheet per 31 December. The tax payable will be offset against a group contribution with tax effect from Klaveness Combination Carriers ASA; however, as the Company reports under IFRS, this effect is not shown per the balance sheet date.

In 2020, the Company purchased three vessels from KCC Shipowning AS, of which two were resold during the year (please refer to note 8 for further details). In connection with the purchases, the company received USD loans from KCC Shipowning AS and Klaveness Combination Carriers ASA. In NOK, the Company had significant realised and unrealised exchange rate gains on these loans, giving a taxable income on the realised portion. Moreover, the Company has temporary positions related to the taxable value of the vessels. Following the Norwegian Taxation Act, deduction of the realised loss on the Vessels is partly deferred to future periods.

(USD '000) Income taxes for the year	2020	2019
Tax payable	1 810	-
Change in deferred tax / deferred tax asset	-	-
Total tax expense / income (-) reported in the income statement	1 810	-

(USD '000) Tax payable	Income	2020 Tax effect	Income	2019 Tax effect
Profit / loss (-) before taxes, incl OCI	2 468	543	3	1
Change in temporary differences	(5 785)	(1 273)	(157)	(35)
Exchange rate differences	11 545	2 540	19	4
Tax payable in the balance sheet	**8 228**	**1 810**	**(135)**	**-**
Effective tax rate		73 %		-

(USD '000) Temporary differences - ordinary taxation	Temporary difference	2020 Tax effect	Temporary difference	2019 Tax effect
Temporary differences	-	-	-	-
Gains and losses account	(14 305)	(3 147)	(741)	(163)
Receivables and debt	10 728	2 360		
Vessels	(3 964)	(872)		
Tax losses carried forward	-	-	(1 015)	(223)
Unrealised gain/loss financial instruments	-	-		
Deferred tax asset not recognised in the balance sheet	7 541	1 659	1 756	386
Net temporary differences - deferred tax liability/asset (-)	(0)	(0)	-	-
Deferred tax asset/liability in balance sheet	(0)	(0)	-	-

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

Note 12 - Financial risk management

Capital management

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

Financial risk
The Company is exposed to i.e. freight rate risk, bunker fuel price risk, as well as risks relating to foreign currency exchange, interest rate, counterparties (including credit), operations, technical, regulations and other risks.

Liquidity risk
The Company considers the liquidity to be satisfactory. After the sale of MV Barracuda and repayment of interest bearing debt in February 2021 there is no vessel operations in the company, hence the liquidity need is limited.

Operational risk
Operational risks are mainly related to the operation of vessels. The Company's vessel, until it was sold in February 2021, was on technical management to Klaveness Ship Management AS (affiliated company) which ensured compliance with IMO, flag and port state regulations.

Market risk
Ownership of vessels involves risks related to vessel values, future vessel employment, freight rates and costs. Over time, vessel values may fluctuate, which may result in an impairment of the book value of the Company's vessels. At year-end the Vessel owned by KCC KBA AS was on a time charter contract until the Vessel was sold in February 2021.

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 all significant entities in the Company. 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.

At year-end the Company has long-term interest-bearing debt that is exposed to floating interest rate. Long term mortgage debt bear interest at LIBOR plus an applicable margin.

Note 13 - Leasing

The Company as a lessee

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

Right-of-use assets (USD '000)	31 Dec 2020	31 Dec 2019
Cost price 1.1	164	-
Addition of right-of-use assets	-	-
Disposals	-	-
Costprice end of period	**164**	**-**
Depreciation right of use assets	36	
Acc. Depreciation end of period	**36**	**-**
Carrying amounts end of period	**128**	**-**

Lease liabilities

Undiscounted lease liabilities and maturity of cash (USD '000)		Total
Less than 1 year	41	
1-5 years	110	
More than 5 years	-	
Total undiscounted lease liabilities at 31 December 2020	152	-

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

Practical expedients applied
The Company has elected to use the exemptions proposed by the standard on lease contracts with a term of less than 12 months, and lease contracts for which the underlying asset is of low value. Lease payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Note 14 - Events after the balance sheet date

The Company sold Barracuda back to KCC Shipowning AS 11 February 2021 with a loss on sale of USD 0.78 million. The Company will continue as going concern. There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December

Statsautoriserte revisorer
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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 2020, 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 2020 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 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, 24 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Johan Lid Nordby
State Authorised Public Accountant

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Johan Nordby
Statsautorisert revisor
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