

# Klaveness Combination Carriers ASA

## Q1 2019 Presentation

*Oslo, 29 May 2019*



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- III. Q1 2019 Result
- IV. Summary and Q&A

## Highlights 1<sup>st</sup> quarter and year to date 2019

First quarter impacted by temporary/timing effects  
– well on track for an exciting 2020

### Q1 2019 results below expected average for 2019

- Q1 2019 EBITDA of USDm 4.7 (Q1 2018 of USDm 7.4)
- Low CSS shipment volumes
- Poor dry bulk market
- Start up costs /downtime on the first CLEANBU

### Advancing the introduction of the CLEANBU concept - fleet expansion

- January: 1<sup>st</sup> CLEANBU “Baru” delivered.
- April: First CPP COA signed
- May: First CPP-Dry combi voyage fixed at TCE earnings 150-200% to standard markets
- May: Declaration of 2 x CLEANBU options for delivery in Q1 2021

### Successful private placement, listing and announcement of dividend

- May: Successful closing of NOKm 350 (~USDm 40) private placement
- May : Listing on Oslo Axess
- May: Announcing USDm 1.4 (0.03 per share) dividends for Q1 2019

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I. Highlights

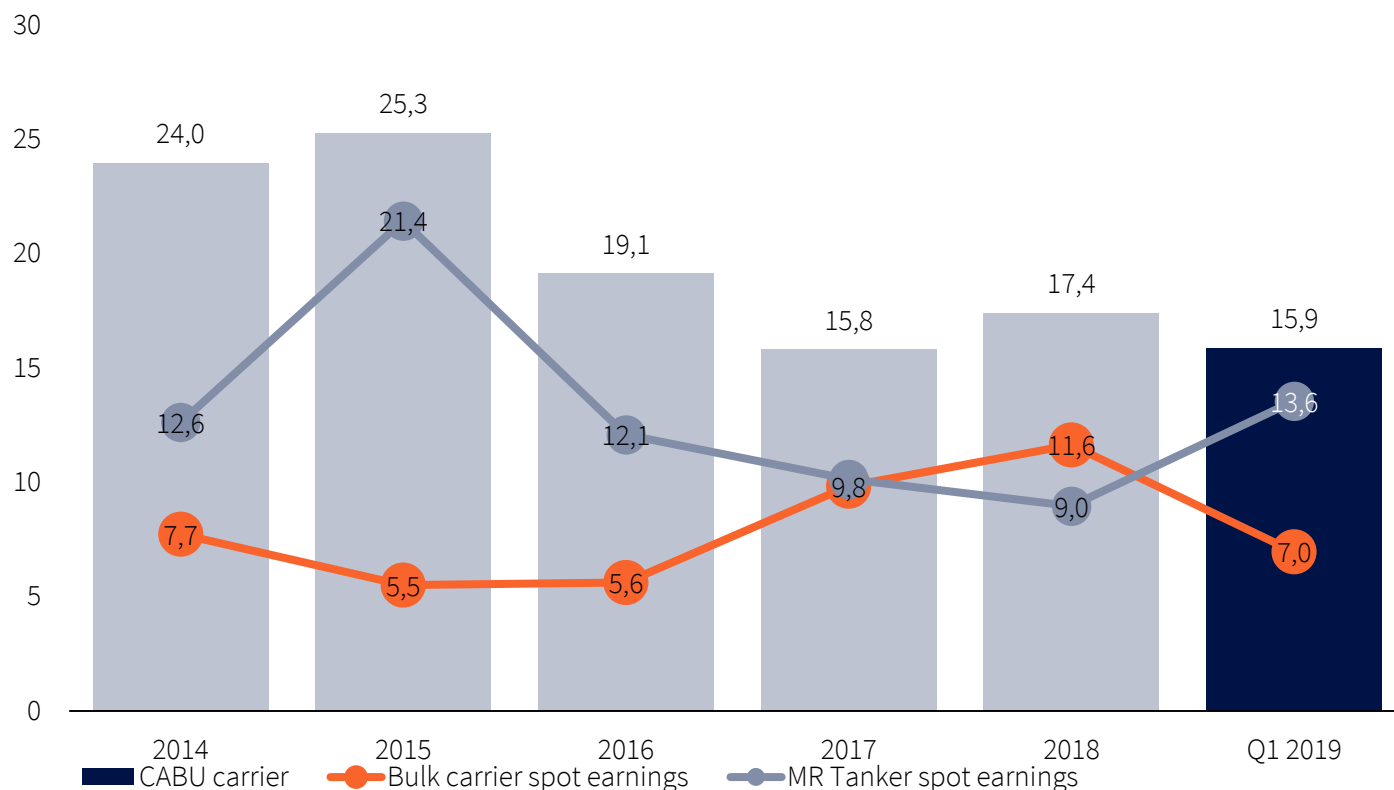
II. Business & market update

III. Q1 2019 Result

IV. Summary and Q&A

Continued outperforming standard tonnage, but premium impacted by temporary lower CSS shipments and a weak dry bulk market

**TCE Earnings USD per day<sup>1</sup>**



- Lower CSS shipment volume caused by timing/temporary effects
- Low share of days in main combi pattern (69%)
- Trading fleet as standard dry vessels in a difficult dry bulk market
- Figures includes Baru CSS lifting in Q1 2019 (on RV)

1) The first CLEANBU, Baru, delivered in January lifted one caustic soda cargo in Q1 2019. This is included in the reported CABU earnings

2) Average monthly earnings per on-hire day for the period 2005 to 2018. Gross of commissions and commercial management fees, Average of the 4 Spot Routes for Baltic Panamax Index (P4TC). Gross rate., Average MR Clean Earnings. Gross rate.

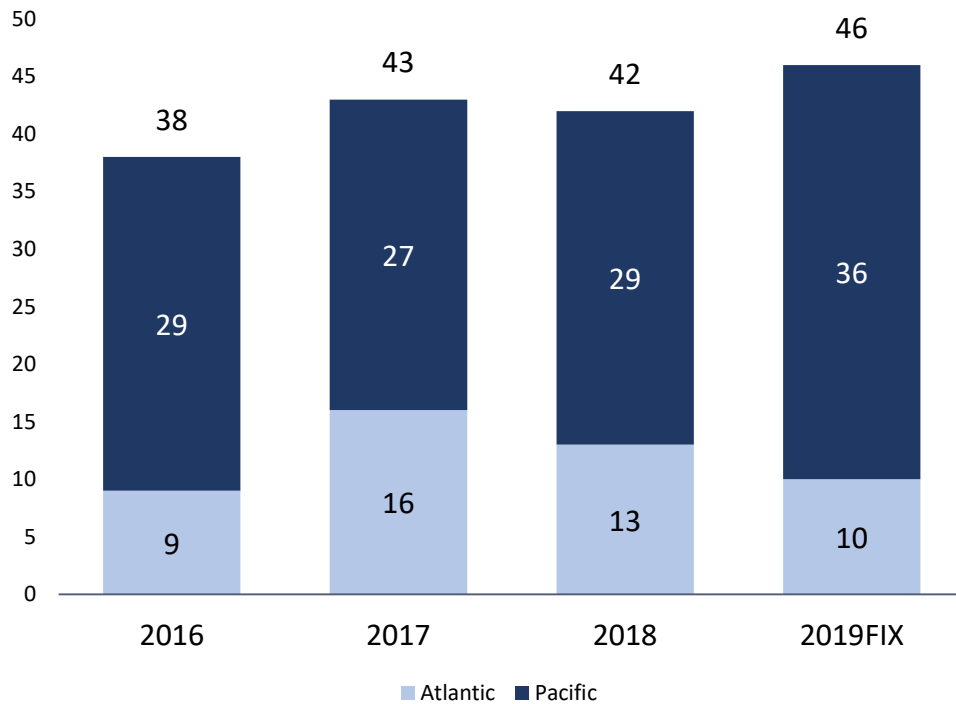
## Business and market update | CABU Caustic soda COA bookings

Increasing CSS COA coverage, but Q1 2019 impacted by Alunorte situation and an uneven distribution of CSS cargoes throughout 2019

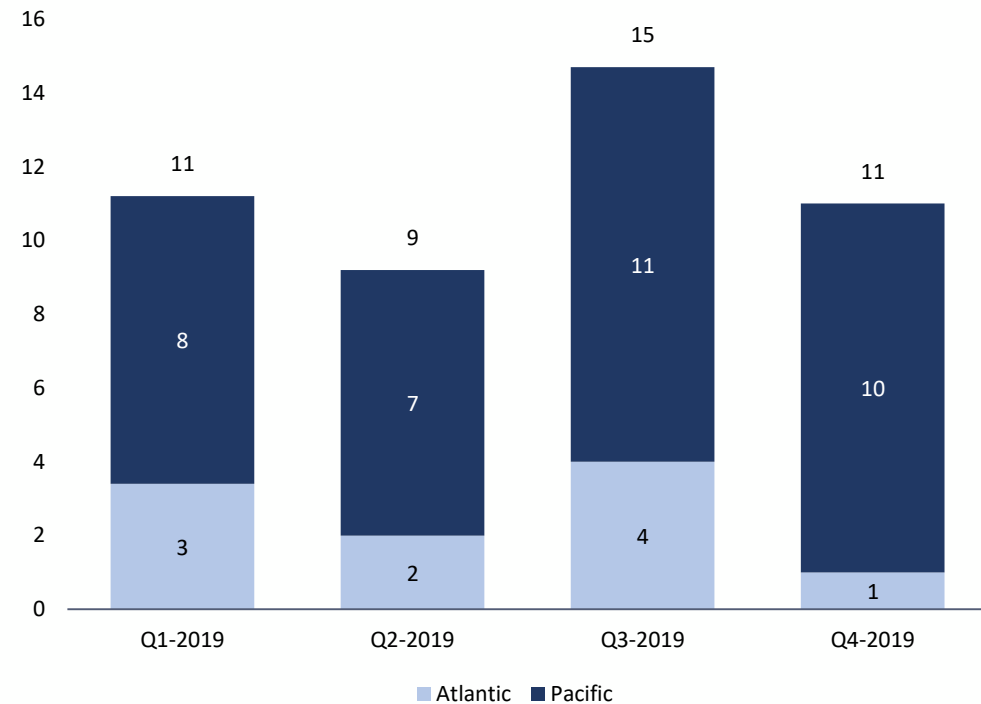
Growing CSS COA portfolio in the Pacific, but Atlantic CSS volumes impacted by Alunorte F/M situation

2019 CSS Pacific COA volumes skewed towards second half – increased CSS volumes to Brazil in Q3 - Alunorte builds up to full production

# of CSS Cargoes per year



# of CSS Cargoes per quarter 2019



# Business and market update | CLEANBU

## 2019 Year of introduction – phase-in “on track”

### Phase-in of MV Baru

Q1 2019	<input checked="" type="checkbox"/> January: Delivery / take over processes (7 d)
	<input checked="" type="checkbox"/> January/February: First CSS voyage (~30 d)
	<input checked="" type="checkbox"/> March/April: Guarantee works (~40 d)
Q2 2019	<input checked="" type="checkbox"/> April/May: First CPP voyage intra SE Asia
	<input checked="" type="checkbox"/> May-July: First CPP-Dry combi voyage –CPP to S. America
Q3 2019	<input type="checkbox"/> July-Aug: Dry return cargo to Far East <sup>1</sup>
	<input type="checkbox"/> Sept: Scheduled technical modifications at yard <sup>1</sup>
Q4 2019	<input type="checkbox"/> Oct-Dec: CPP-dry combi trading + possible spot CPP <sup>1</sup>

### Next deliveries

June 2019	<input type="checkbox"/> Delivery of 2 <sup>nd</sup> CLEANBU – MV Barracuda <sup>1</sup>
Sept 2019	<input type="checkbox"/> Delivery of 3 <sup>rd</sup> CLEANBU – MV Barramundi <sup>1</sup>

- Conservative “phase in” to secure a successful introduction to wet-dry combi-trading
- Earnings as regular tanker with “initial discounts”
- First wet-dry combi voyage June-August to/from South America - generating earnings at 150-200% of standard vessels

1) Planned/estimated dates



## Business and market update | CLEANBU

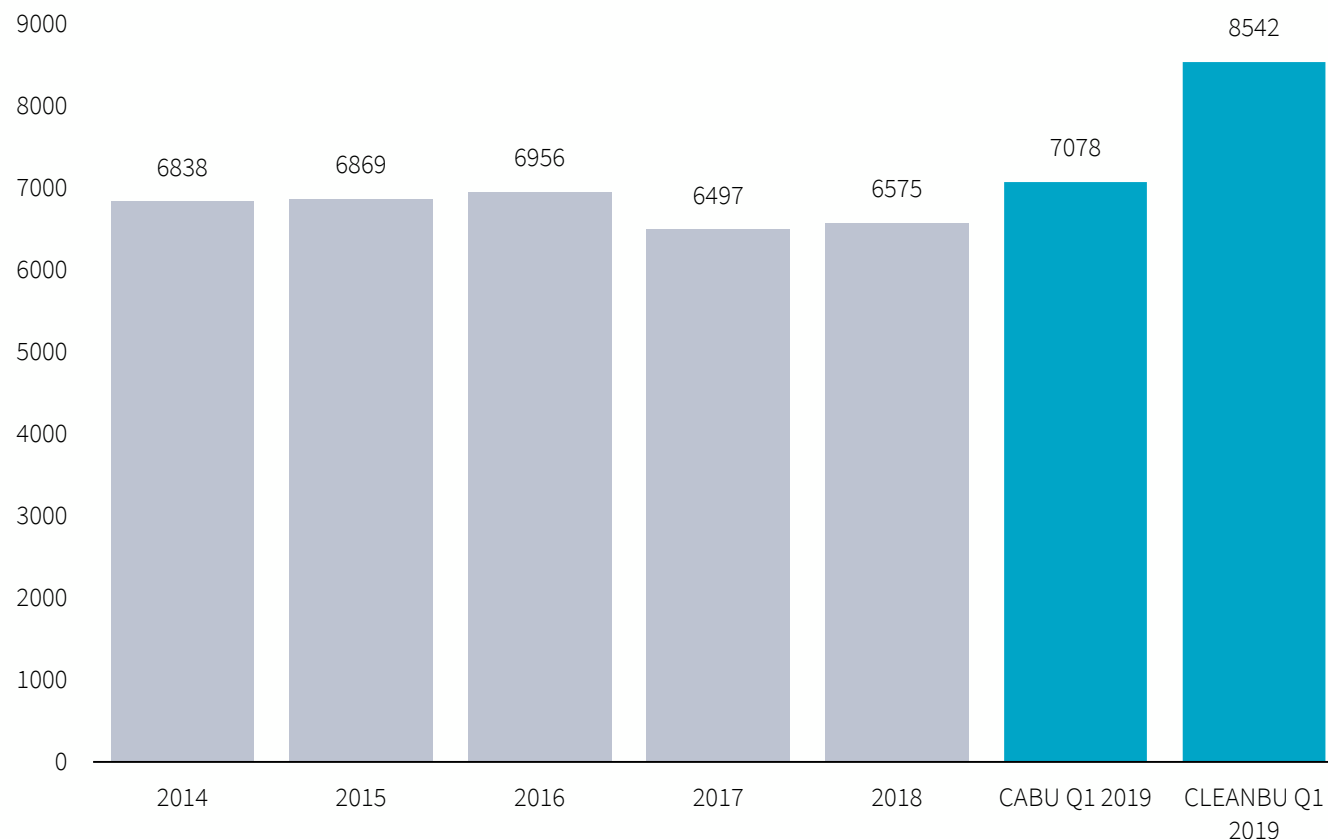
# Proving and expanding the CLEANBU concept

- First CPP COA to Australia concluded in April - important milestone for acceptance of CLEANBU concept in the CPP market
- Demonstrate performance in wet-dry combi trading – start combi-trading to Australia during 2H 2019
- Substantial expected improvements in CLEANBU earnings with wet-dry combi-trading
- Declaring 2 x CLEANBU options in May for delivery in January 2021



# OPEX impacted by periodization effects & CLEANBU start-up costs

OPEX USD per day

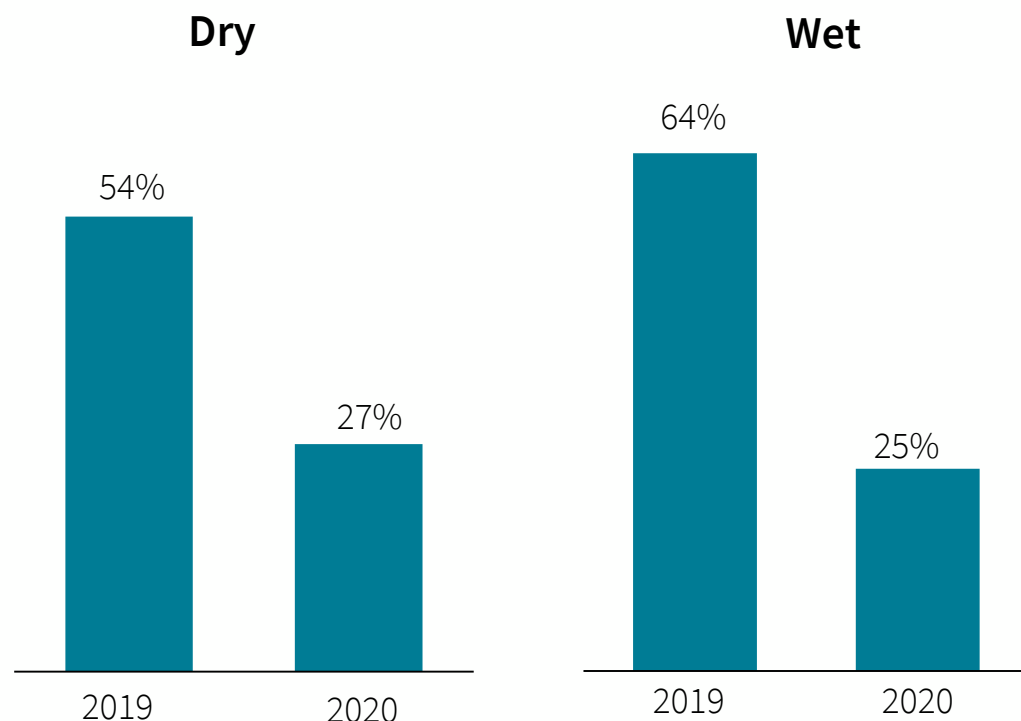


- OPEX for both the CABUs and the first CLEANBU impacted by periodization effects. Higher than normal OPEX during initial months of CLEANBU operation.
- In addition booked \$0.6 million start-up costs linked to training and stand by wages for the CLEANBU fleet

# Contract coverage in 2019 and 2020

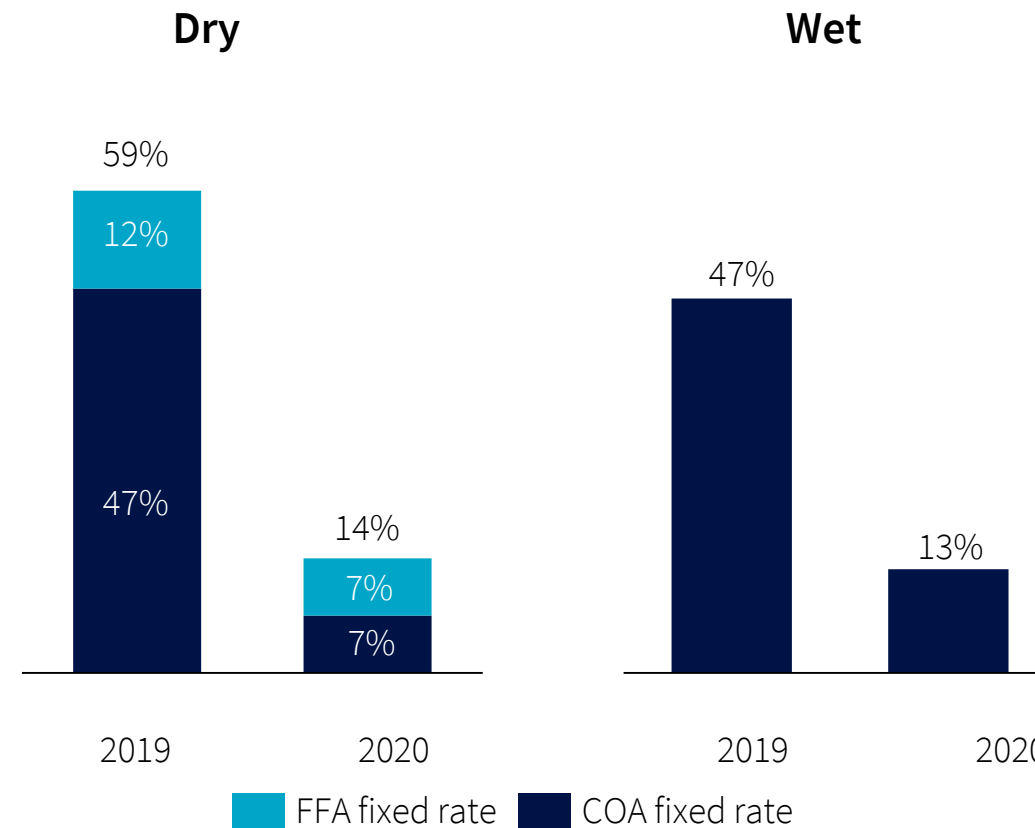
## Volume coverage

Share of estimated total fleet carrying capacity (i.e. volume) booked for rest of 2019 and 2020<sup>1, 2</sup>



## Financial coverage

Share of estimated rate (i.e. price) exposure that has been fixed for rest of 2019<sup>1</sup> and 2020



1) Balance 2019 as of end of April  
 2) Wet capacity is based on minimum volume on CPP COA.

## Business and market update

# Successful conclusion of equity and debt financing – investor friendly dividend policy

- Successfully completed NOK 350 million (~USD 40 million) private placement 15 May 2019
- Listing of KCC shares on Oslo Axess 22 May 2019
- Concluded USD 91 million bank financing for 3 CLEANBUs for delivery in 2020
- Continuing a shareholder friendly dividend policy declaring \$1.4 million (\$0.03/share) dividends for Q1-2019 following dividend payment of \$1.4 million (\$0.035/share) for Q4-2019.



Photo: Thomas Brun/NTB Scanpix

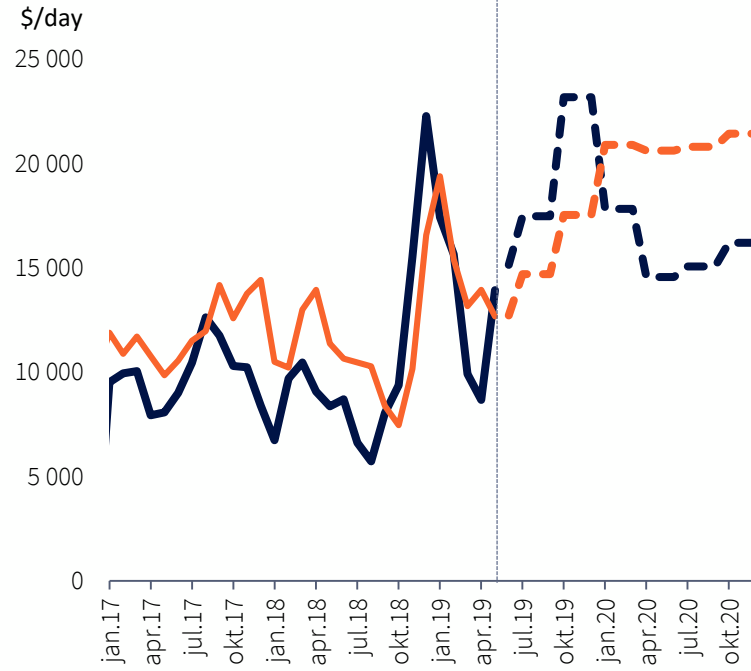
# Business and market update

Strong product tanker and fuel market outlook bodes well for KCC's 2020 earnings

## Strong product tanker outlook based on low orderbook and positive IMO 2020 effects

### Product tanker markets<sup>1</sup>

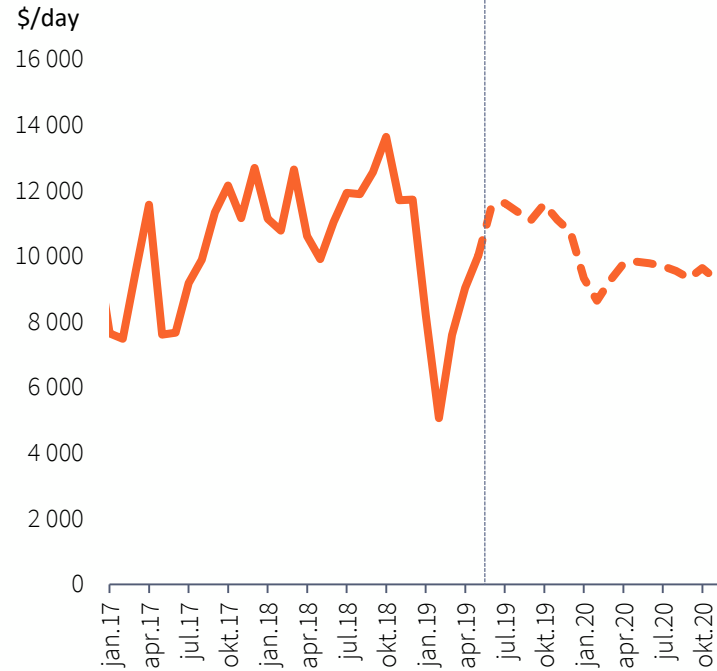
Solid line shows MR (orange) and TC5 triangle trade (dark blue) earnings. Dotted lines forward curves.



## Recovering dry bulk markets - significant upside when trade disputes and Vale situation settle

### Panamax Dry Bulk market<sup>2</sup>

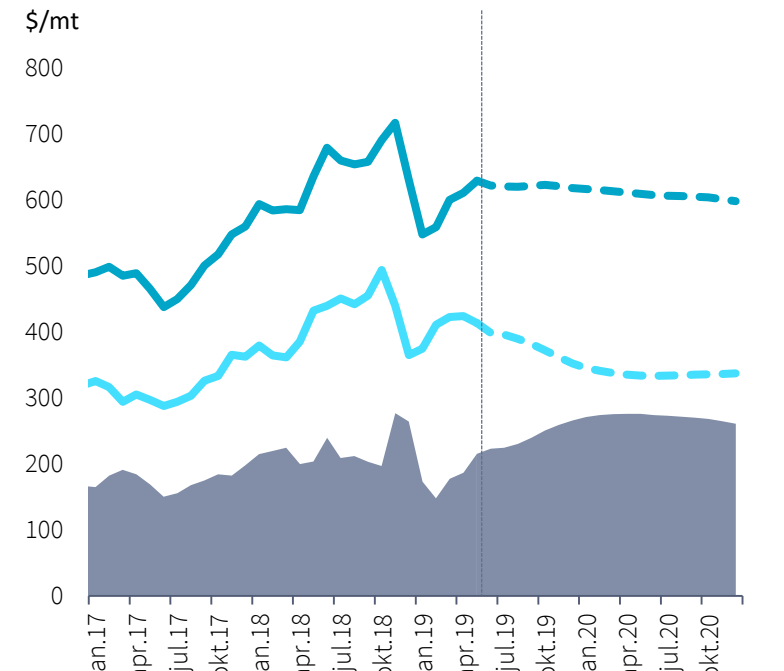
Solid line is the P4TC historical settled values. Dotted line is the current forward curve



## Increasing fuel prices (and freight rates) following implementation of IMO 2020 sulphur cap

### Fuel prices with HFO/MGO spread<sup>2</sup>

Dotted lines forward curve — MGO — HFO — MGO/HFO Spread



1) Source: Shipping Intelligence Network and KCC. Triangle trade TC5 PG-Japan+TC5 Korea/Australia. Bunker is basis Sing380 cst with an estimated USD190 pmt premium for the compliant IMO 2020 0.5% sulphur fuel. MR TCE basis TC7 as per Baltic Exchange.  
 2) Source: Shipping Intelligence Network, NOS, ICE, FIS

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## Q1 2019 results

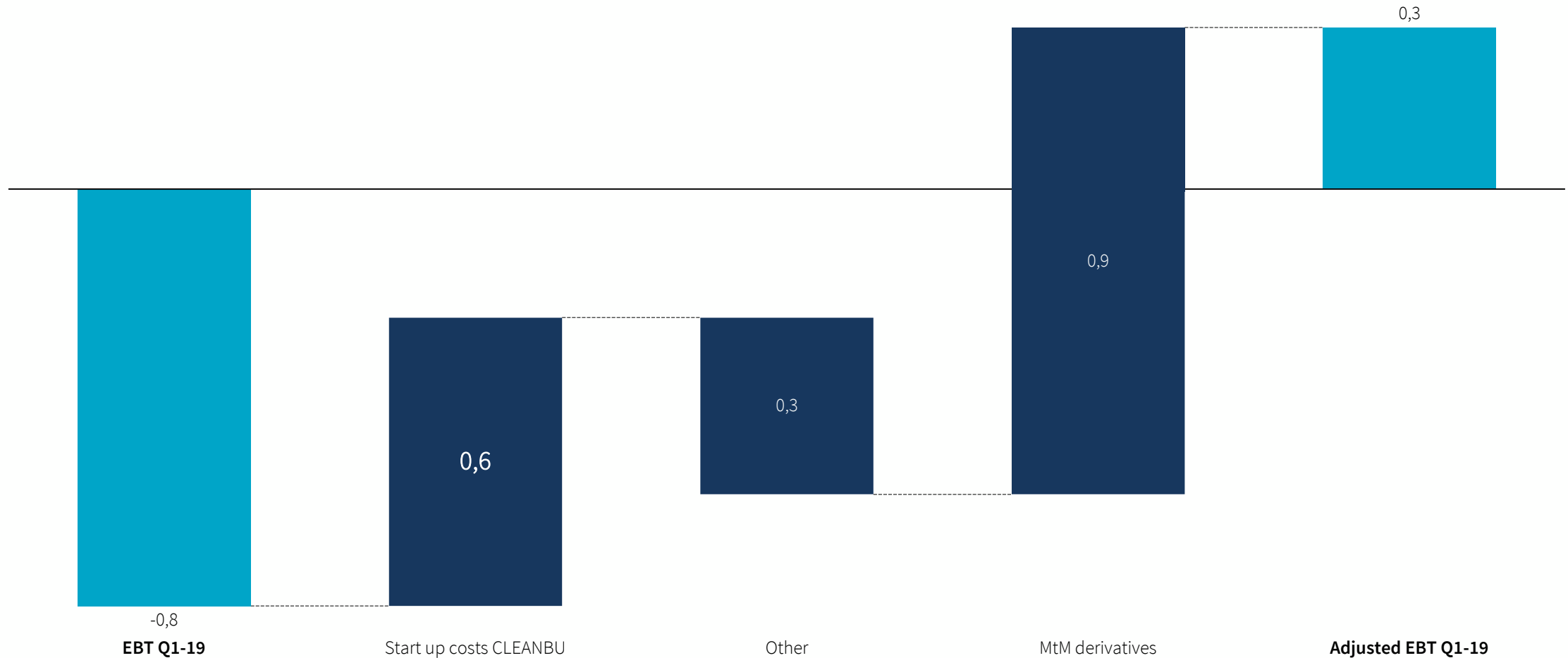
# Consolidated financial statements Q1 2019 (unaudited)

Income Statement	Q1 2019	Q1 2018	2018
Net revenues	13 326	13 349	56 393
Operating expenses, vessels	(6 962)	(4 946)	(21 599)
SG&A	(1 627)	(1 029)	(4 037)
<b>EBITDA</b>	<b>4 736</b>	<b>7 374</b>	<b>30 757</b>
Depreciation	(2 778)	(4 171)	(16 840)
<b>EBIT</b>	<b>1 958</b>	<b>3 202</b>	<b>13 917</b>
Net financial items	(2 761)	251	(5 140)
<b>Profit before tax</b>	<b>(803)</b>	<b>3 454</b>	<b>8 777</b>
Tax	-	-	59
<b>Profit after tax</b>	<b>(803)</b>	<b>3 454</b>	<b>8 836</b>
EPS	(0.02)	0.14	0.23

- Company established end March 2018 so that Q1-2018 not comparable for SG&A and loan costs in parent company.
- Net revenues of USD 13.3 million in line with same quarter last year, however Q1-18 includes negative effects from first time implementation of IFRS 15.
- Administration costs is up for the period due to transaction costs related to listing process (-0.2)
- Useful life estimate changed from 20 to 25 years as of 01.01.2019.
- Higher interest costs due to higher debt after delivery of the first CLEANBU in January. Shareholder loan/Bond loan in KCC only from April 2018.
- Unrealised effects from change in fair value of derivatives (Q1-19: USD -0.9 mill; Q1 2018: + USD 1.4 mill).

## Q1 2019 results

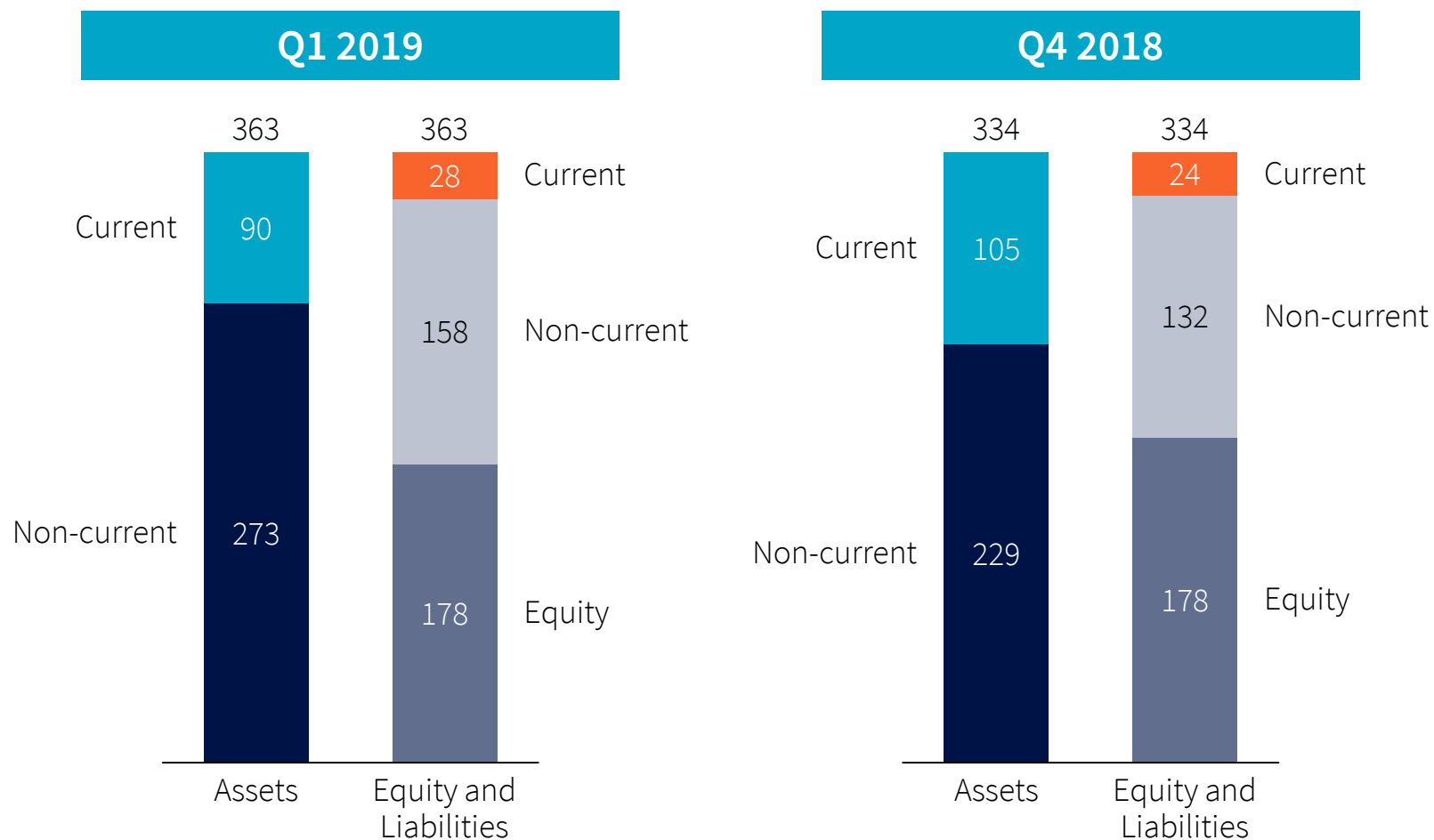
Positive EBT adjusted for year-of-introduction effects and unrealized financial derivatives





# Q1 2019 results

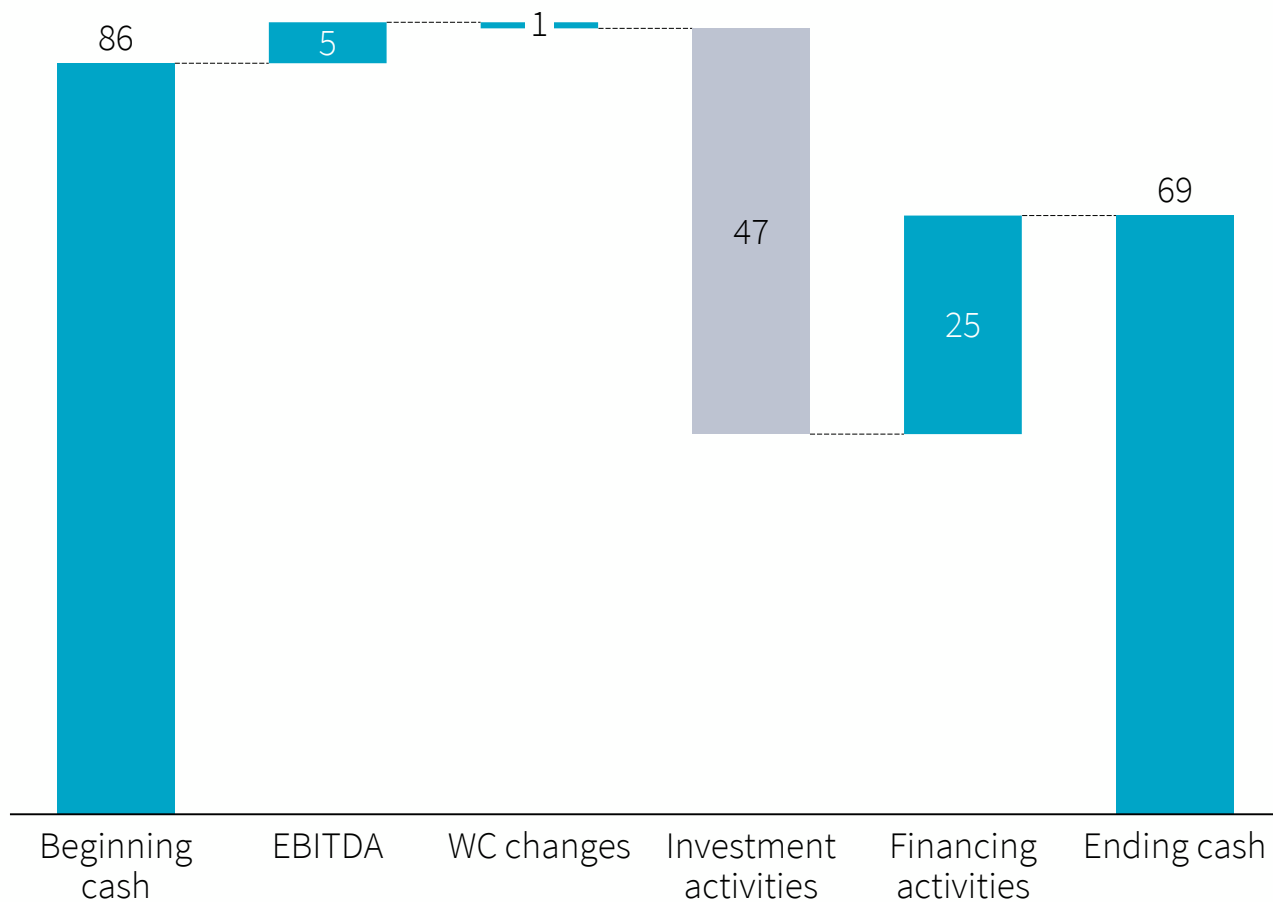
## Balance sheet



- Balance sheet increase by USD 29.5 million mainly due to delivery of MV Baru. Final instalment of USD 31 million was financed by drawdown on the DNB/SEB loan facility
- As part of KCC assuming the obligation of the NOK 300 million unsecured bond loan in January 2019, the shareholder loan of USD 36 million from Klaveness Ship Holding AS was repaid
- Provision of dividend based on Q4 results of USD 1.4 million was paid in April
- Equity ratio is 49 % down from 53 % year-end 2018

# Q1 2019 results

## Cash flow



- Positive cash flows from operating activities of USD 4, lower than EBITDA (USD 4.7 million) due to negative changes in working capital
- Negative cash flow from investment activities of USD 47 million relates to instalments on the CLEANBUs and some minor dry dock costs for the CABUs
- Cash flow from financing activities is positive by USD 25 million due to net inflows on bank facilities from the draw-down financing of Baru net after periodic repayment of mortgage debt.
- Cash of USD 69 million includes cash and cash equivalents of USD 72 million and drawn amount of USD 3 million on overdraft facility.

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# Business Update

## Summary

- Maintain guiding on CABU TC-earnings (>2018 actual of \$17,400/d). CABU earnings to significantly improve in 2<sup>nd</sup> half 2019 based on concluded CSS cargoes and the announced resumption of Alunorte production
- CLEANBU introduction costs/downtime to negatively impact 2019 P&L, but CLEANBU earnings to improve after start of combi-trading
- Positive 2020 outlook based on strong product tanker market outlook and higher fuel costs following implementation of IMO 2020

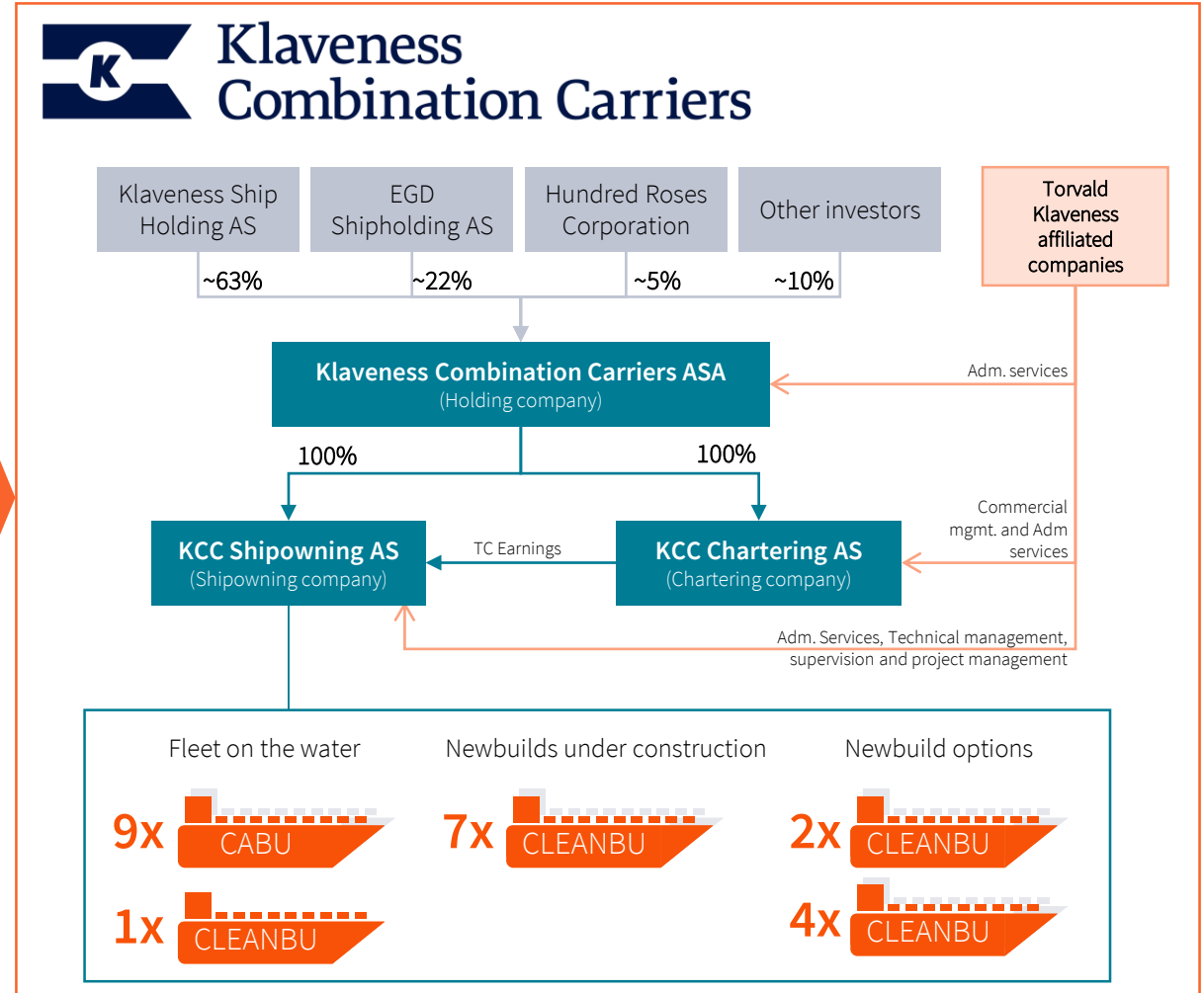
# Enclosures

# Enclosures

## Torvald Klaveness & Klaveness Combination Carriers (KCC)

### Torvald Klaveness' business segments

Service provider	Dry bulk	Container	Combination Carriers
Klaveness Digital AS	Klaveness Chartering AS	Klaveness Container AS	Klaveness Combination Carriers ASA
KSM	Baumarine AS	8 feeder vessels	9 CABU vessels
	Bulkhandling Handymax AS		8 CLEANBU vessels (+ 6 options)
			Fleet of ~100-120 chartered vessels at any time



Note: Simplified organizational chart, for illustration purposes only

# Enclosures

## CLEANBU estimated delivery overview

CLEANBU delivery schedule

Name	DWT <sup>1</sup>	Contract price <sup>2</sup>	Option declaration date	2019				2020				2021				2022			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Baru - 1222</b>	82,425	USD 48.5m	Delivered	January 2019															
<b>Barracuda - 1223</b>	83,500	USD 48.5m	Firm	June 2019															
<b>Barramundi - 1224</b>	83,500	USD 48.2m	Firm	September 2019															
<b>Baleen - 1226</b>	83,500	USD 46.5m	Firm	February 2020															
<b>Bangus - 1227</b>	83,500	USD 46.5m	Firm	August 2020															
<b>Baiaco - 1228</b>	83,500	USD 46.5m	Firm	October 2020															
<b>1229</b>	83,500	USD 46.5m	Firm	January 2021															
<b>1247</b>	83,500	USD 46.5m	Firm	February 2021															
<b>Option # 3 - 1225</b>	83,500	USD 46.5m	Jun 2019	April 2021															
<b>Option # 4 - 1248</b>	83,500	USD 47.4m	Aug 2019	August 2021															
<b>Option # 5 - 8</b>	83,500	TBA	Sep and Dec 2019	2021/2022															

1) Estimates for vessels under construction, actual DWT might deviate some upon delivery of vessel  
 2) Payment terms - 10%/10%/10%/70%

## Consolidated financial statements Q1-2019 (unaudited)

### INCOME STATEMENT

USD '000	Notes	Quarter ended		Year ended
		Unaudited 31 Mar 2019	Unaudited 31 Mar 2018	Audited 31 Dec 2018
Freight revenue	3	20 308	-	84 284
Charter hire revenue	3	233	13 349	17 540
<b>Total revenues, vessels</b>	3	<b>28 541</b>	<b>13 349</b>	<b>101 824</b>
Voyage expenses		(15 215)	-	(45 431)
<b>Net revenues from operations of vessels</b>		<b>13 326</b>	<b>13 349</b>	<b>56 393</b>
Operating expenses, vessels		(6 962)	(4 946)	(21 599)
Group commercial and administrative services	9	(1 261)	(971)	(3 618)
Tonnage tax	10	(36)	(44)	(119)
Other operating and administrative expenses		(330)	(14)	(300)
<b>Operating profit before depreciation</b>		<b>4 736</b>	<b>7 374</b>	<b>30 757</b>
Ordinary depreciation	4	(2 778)	(4 171)	(16 840)
<b>Operating profit after depreciation</b>		<b>1 958</b>	<b>3 202</b>	<b>13 917</b>
Finance income	7	730	1 669	2 234
Finance costs	7	(3 491)	(1 418)	(7 374)
<b>Profit before tax</b>		<b>(803)</b>	<b>3 454</b>	<b>8 777</b>
Income tax expenses	10	-	-	59
<b>Profit after tax</b>		<b>(803)</b>	<b>3 454</b>	<b>8 836</b>
Attributable to:				
Equity holders of the parent company		(803)	2 769	7 978
Non-controlling interests		-	685	858
<b>Total</b>		<b>(803)</b>	<b>3 454</b>	<b>8 836</b>

### STATEMENT OF COMPREHENSIVE INCOME

USD '000	Quarter ended		Year ended
	Unaudited 31 Mar 2019	Unaudited 31 Mar 2018	Audited 31 Dec 2018
<b>Profit/ (loss) of the period</b>	<b>(803)</b>	<b>3 454</b>	<b>8 836</b>
<b>Other comprehensive income to be reclassified to profit or loss</b>			
Net movement fair value on cross-currency interest rate swaps (CCIRS)	119	-	-
Reclassification to profit and loss (CCIRS)	283	-	-
Net movement fair value on interest rate swaps	(269)	490	368
Net movement fair value FX hedge	(44)	-	(35)
Net movement fair value bunker hedge	970	-	(918)
Net movement fair value FFA hedge	906	-	970
<b>Net other comprehensive income to be reclassified to profit or loss</b>	<b>2 045</b>	<b>490</b>	<b>385</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>1 242</b>	<b>3 944</b>	<b>9 221</b>
<b>Attributable to:</b>			
Equity holders of the parent company	1 242	3 016	8 029
Non-controlling interests	-	928	1 192
<b>Total</b>	<b>1 242</b>	<b>3 944</b>	<b>9 221</b>



## Consolidated financial statements Q1-201 (unaudited)

### STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 31 Mar 2019	Audited 31 Dec 2018
<b>Non-current assets</b>			
Deferred tax asset	10	15	15
Vessels	4	216 402	167 037
Newbuilding contracts	5	54 372	59 877
Right-of-use assets	5	1 787	-
Long-term receivables from related parties		-	-
Long-term financial assets	6	870	1 855
<b>Total non-current assets</b>		<b>273 447</b>	<b>228 786</b>
<b>Current assets</b>			
Short-term financial assets	6	2 245	464
Inventories		6 186	5 883
Trade receivables and other current assets		9 734	9 870
Short-term receivables from related parties		33	594
Cash and cash equivalents		71 665	88 263
<b>Total current assets</b>		<b>89 863</b>	<b>105 074</b>
<b>TOTAL ASSETS</b>		<b>363 310</b>	<b>333 859</b>

EQUITY AND LIABILITIES		Unaudited 31 Mar 2019	Audited 31 Dec 2018
<b>Equity</b>			
Share capital	8	4 863	4 863
Share premium		92 271	92 271
Other reserves		2 096	51
Retained earnings		78 680	80 901
<b>Total equity</b>		<b>177 911</b>	<b>178 086</b>
<b>Non-current liabilities</b>			
Mortgage debt	6	121 892	95 746
Long-term liabilities to related parties	6	-	36 000
Long-term financial liabilities	6	-	450
Long-term lease liabilities		1 411	-
Bond loan	6, 9	34 484	-
<b>Total non-current liabilities</b>		<b>157 787</b>	<b>132 196</b>
<b>Current liabilities</b>			
Short-term mortgage debt	6	13 920	12 200
Other interest bearing liabilities	6	3 005	2 172
Short-term financial liabilities	6	1 209	918
Short-term lease liabilities		376	-
Trade and other payables		6 863	7 601
Short-term debt to related parties		742	563
Provision dividend	9	1 418	-
Tax liabilities	10	78	123
<b>Total current liabilities</b>		<b>27 612</b>	<b>23 577</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>363 310</b>	<b>333 859</b>

## Consolidated financial statements Q1-2019 (unaudited)

### CASH FLOW STATEMENT

(Figures in USD '000)

	Notes	Quarter ended		Year ended
		Unaudited 31 Mar 2019	Unaudited 31 Mar 2018	Audited 31 Dec 2018
Profit before tax		(803)	3 454	8 777
Tonnage tax expensed	10	36	44	119
Ordinary depreciation	4	2 778	4 171	16 840
Amortization of upfront fees bank loans		77	51	228
Financial derivatives unrealised loss / gain (-)	6	459	(1 376)	(1 163)
Interest income	7	(541)	(293)	(1 071)
Interest expenses	7	2 294	1 326	6 972
Taxes paid for the period	10	(45)	-	-
Change in current assets		394	(3 363)	(2 070)
Change in current liabilities		(1 129)	3 428	(1 782)
Interest received	7	541	293	1 071
<b>A: Net cash flow from operating activities</b>		<b>4 060</b>	<b>7 735</b>	<b>27 920</b>
Acquisition of tangible assets	4	(488)	(239)	(2 817)
Installments and other cost on newbuilding contracts	5	(46 056)	(5 472)	(22 126)
Acquisition of subsidiaries, net of cash		-	863	863
<b>B: Net cash flow from investment activities</b>		<b>(46 544)</b>	<b>(4 848)</b>	<b>(24 080)</b>

Proceeds from mortgage debt	6	31 000	-	3 000
Net proceeds from bond loan and settlement shareholder loan	6	(630)	-	-
Transaction costs on issuance of loans	6	(454)	-	-
Repayment of mortgage debt	6	(3 050)	(1 471)	(10 528)
Repayment of bond loan		-	-	-
Interest paid	7	(1 718)	(1 326)	(7 103)
Repayment of financial lease liabilities		(94)	-	-
Capital increase April 30, 2018		-	-	12 000
Capital increase October 10, 2018		-	-	45 000
Transaction costs on capital increase		-	-	(581)
Acquisition of non-controlling interests		-	-	(622)
Group contribution/dividend		-	(9 958)	(9 958)
Dividends to non-controlling interests		-	(495)	(495)
<b>C: Net cash flow from financing activities</b>		<b>25 054</b>	<b>(13 250)</b>	<b>30 713</b>
<b>Net change in liquidity in the period (A + B + C)</b>		<b>(17 431)</b>	<b>(10 364)</b>	<b>34 552</b>
Cash and cash equivalents at beginning of period*		86 090	51 538	51 538
Cash and cash equivalents at end of period*		68 660	41 175	86 090
<b>Net change in cash and cash equivalents in the period</b>		<b>(17 431)</b>	<b>(10 364)</b>	<b>34 552</b>

\*Cash and cash equivalents includes drawn amount on overdraft facility.