Klaveness Combination Carriers

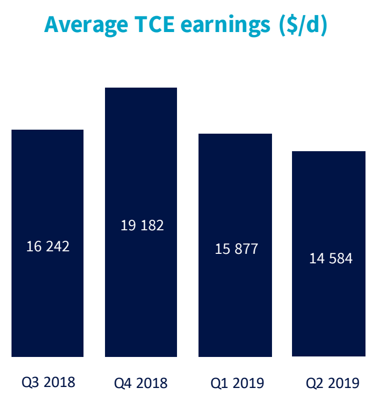
Second Quarter 2019

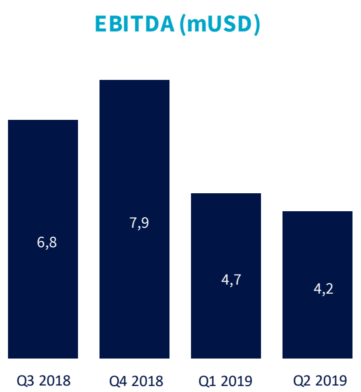
HIGHLIGHTS

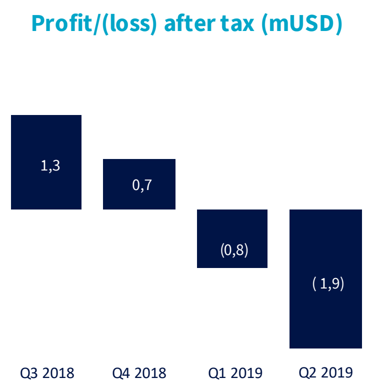
- KCC's CABU fleet continues to deliver earnings well above the standard markets with earnings 1.3 times the MR-tanker market despite seasonally low caustic soda volumes.
- The successful first CLEANBU wet-dry combination-voyage with earnings of around USD 20,000/day, 1.5 times a standard LR1 tanker, proves the superior earnings capacity of the CLEANBU concept.
- The 2nd CLEANBU vessel, MV Barracuda was delivered from yard at the end of July and will start combination trading in mid-September after completing the ongoing first tanker voyage.
- KCC continues its consistent track record of quarterly dividends and has announced dividend payment of USD 0.5 million for Q2-2019.
- Large "one-off costs" linked to the introduction of the CLEANBUs and the listing of KCC as well as negative effects from interest rate derivatives pulled down KCC's result to a loss of USD 1.9 million in Q2-2019.
- Increased caustic soda volumes, more vessels in combination trade and the recent strengthening of the wet and dry markets are expected to result in significantly increased earnings over the next quarters.

«We are pleased to report the successful first CLEANBU wet-dry combination voyage with earnings 1.5 times the standard market, proving the superior earnings capacity of our new CLEANBUs. While the CABU fleet continues to perform well in the 2nd quarter, KCC's results reflect "one-off introduction costs" for the CLEANBUs which are expected to be substantially reduced over the coming quarters. Both CABU and CLEANBU earnings are expected to considerably improve in 2nd half of 2019 based on higher caustic soda contract booking and more CLEANBUs in combination trading».

Engebret Dahm, CEO
Klaveness Combination Carriers ASA







CONSOLIDATED FINANCIALS

Key Figures

(USD '000)	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Net revenues from vessel operations	12 607	14 415	25 933	27 764
EBITDA	4 227	8 450	8 963	15 824
EBITDA adjusted (note 13)	4 595	8 450	9 886	15 824
Profit/(loss) for the period	(1 876)	3 172	(2 680)	6 626
Earnings per share[1]	(0.04)	0.10	(0.06)	0.22
Total assets	430 847	284 917		
Equity	211 845	131 738		
Equity ratio	49 %	46 %		
ROCE adjusted (note 13)	1 %	6 %	2 %	5 %

	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Average revenue per on-hire day (note 13)	14 854 $/d	16 920 $/d	15 352 $/d	17 082 $/d
Opex per day (note 13)	7 150 $/d	6 183 $/d	7 175 $/d	6 145 $/d
Onhire days	865	812	1 703	1 620
Off-hire days, scheduled	25	9	25	11
Off-hire days, unscheduled	20	0	66	1
% of days in main combination trades	84 %	88 %	79 %	92 %
Utilisation[2]	92 %	97 %	92 %	96 %

FINANCIAL PERFORMANCE

Net revenues from operations of vessels were USD 12.6 million in the second quarter of 2019, compared to USD 14.4 million in the same quarter last year. Q2-2018 revenues include a USD 0.7 million compensation from the shipyard constructing the three newest CABU vessels. The average revenue per on-hire day of USD 14,854/day is USD 2,066/day lower than Q2 2018 and was negatively impacted by CABUs trading as dry bulk vessels in a weak dry bulk market and the phase-in of the first CLEANBU as a regular tanker vessel.

The increase in operating expenses for the vessels from USD 5.1 million in Q2 2018 to USD 6.9 million in Q2 2019 is related to delivery and the introduction of the CLEANBU vessels. Operating expenses in the second quarter were impacted by start-up expenses of USD 0.4 million for the 2nd CLEANBU which was delivered end of July. Such expenses include amongst others crew expenses following delayed delivery from the yard. Administration costs for Q2-2019 include expensed transaction costs of USD 0.4 million from the listing of the Company's shares on Oslo Axess in May 2019. EBITDA for the period ended at USD 4.2 million (Q2 2018: 8.5 million).

Net result from financial items was negative USD 3.0 million in the second quarter of 2019 compared to negative USD 1.2 million for the same period last year. The increase is due to higher interest-bearing debt following the delivery of the first CLEANBU vessel and differences in fair value changes of unrealized derivatives between the two quarters. While fair value changes of derivatives were negative USD 1.1 million in 2nd quarter 2019, the same quarter last year had positive fair value changes of USD 0.5 million.

Net profit after tax for second quarter ended negative USD 1.9 million compared to positive USD 3.2 million for the same period last year.

THE CABU BUSINESS

(USD/day) / # of days	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Average revenue per on-hire day (note 2)	15 038 $/d	16 920 $/d	15 560 $/d	17 082 $/d
Opex per day (note 2)	6 284 $/d	6 241 $/d	6 663 $/d	6 188 $/d
Onhire days	790	812	1 595	1 620
Off-hire days, scheduled	25	9	25	11
Off-hire days, unscheduled	4	0	8	1
% of days in main combination trades	86 %	88%	80 %	92 %
Utilisation[2]	95 %	97%	95 %	96 %

The CABU vessels continued a strong operational performance in Q2-2019. Earnings were, however, negatively impacted by fewer days in the main CABU combination trades due to a temporary lower number of caustic soda contract cargoes. Only 80 % of the fleet capacity was employed in combination trades during the first half of 2019 compared to 92 % same period last year. The number of caustic soda contract shipments are expected to increase from 8 in Q2-2019 to average 14 quarterly shipments in 2nd half 2019 following the lifting of the production embargo at Alunorte at end of May and higher number of shipments under the main caustic soda contracts for the balance of 2019. The historically weak dry bulk market during Q1-2019 and early part of Q2-2019 had negative earnings effect on performing dry voyages in Q2-2019. One CABU vessel commenced periodic drydocking in June.

1) Earnings per share from operations. Based on average outstanding shares for the different periods.

2) Utilization = (Operating days less waiting time less off-hire days)/operating days

THE CLEANBU BUSINESS

(USD/day) / # of days	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
Average revenue per on-hire day (note 2)	12 905 $/d	-	12 255 $/d	-
Opex per day (note 2)	14 939 $/d	-	12 055 $/d	-
Onhire days	75	-	108	-
Off-hire days, scheduled	-	-	-	-
Off-hire days, unscheduled	16	-	57	-
% of days in main combi pattern	57 %	-	70 %	-
Utilisation[2]	73 %	-	61 %	-

The phase-in of the first CLEANBU vessel, MV Baru, has progressed well after the completion of guarantee works in the middle of April. MV Baru completed its first clean petroleum (CPP) cargo from India to Singapore as a regular tanker vessel in mid May and started combination trading at the end of May with the fixture of a CPP cargo from India to Argentina. After discharging of CPP in Argentina, MV Baru successfully completed the first switch from tanker mode to dry bulk mode and passed the strict grain cleaning inspections before loading grains back to Asia. The concluded earnings of the estimated round voyage of 144 days are around USD 20,000/day reflecting a 50% premium relative to the earnings in the dry bulk and tanker standard markets in the same period.

As part of an established phase-in plan, the CLEANBUs will be operated as regular tankers for one or more voyages before being introduced into combination trading. Observations and guarantee works after the initial operation of MV Baru have been or will be corrected on subsequent CLEANBU vessels before delivery. This together with operational experience transfers from the operation of the first vessel are expected to substantially shorten the phase-in time for the second and subsequent CLEANBUs. This will again lead to shorter lead time from delivery to start of trading in higher paying combination trades.

The second CLEANBU, MV Barracuda was delivered 29 July and completed first loading as tanker for shipment of caustic soda in Taiwan 23 August. She is now scheduled to start combination trading in mid-September, a phase in time of 1/3 of the first CLEANBU. The third CLEANBU, with scheduled delivery in September is targeted to start combination trading within end October. With three CLEANBUs having completed phase-in within October, KCC is well positioned to benefit from the expected stronger tanker markets before and after the implementation of IMO 2020.

CAPITAL AND FINANCING

The equity ratio for the Group was 49% at the end of the quarter, stable from last quarter, but down from 53% at year-end 2018. Cash and cash equivalents were USD 128.0 million against USD 88.3 million as of 31 December 2018 after the successful completion of the private placement in May 2019. The net cash proceeds of USD 38.8 million will be used to finance the equity portion of the two CLEANBU options declared at the same time.

Total assets were USD 430.8 million, an increase of USD 97.0 million since year-end 2018 mainly due delivery and financing of new vessels and newbuildings. The book value of vessels and newbuildings amounted to USD 278.2 million at the end of the quarter. Total interest-bearing debt increased by USD 60.1 million during the first half of 2019 to USD 206.2 million as of 30 June 2019 following the delivery and post-delivery bank financing of MV Baru and MV Barracuda.

KCC's bond loan was transferred from the ABM-list to Oslo Stock Exchange with effect from 5 July 2019.

Bank financing has been secured for all six CLEANBU newbuildings with delivery in 2019 and 2020. Discussions with respect to financing of the two remaining newbuildings with delivery in 2021 will be initiated during the autumn of 2019.

The Group generated no cash flow from operating activities in second quarter due to negative changes in working capital. Net cash flow from investments relates to dry dock costs for one vessel and installments paid to the shipyard and other costs for newbuildings, in total USD 10.4 million in Q2-2019. Net positive cash effect from bank financing after periodic repayment of mortgage debt was USD 27.5 million following drawdown of the post-delivery bank financing on MV Barracuda being delivered in July. Net cash received from equity raise was USD 39.1 million and total dividends of USD 2.9 million was paid to shareholders in April and June 2019.

FLEET

The fleet consists of nine CABU and two CLEANBU combination carriers of which the first CLEANBU, MV Baru, was delivered in January 2019 and second CLEANBU, MV Barracuda was delivered at the end of July 2019. The company has another six CLEANBUs on order for delivery in the period September 2019 to February 2021. The CABU vessels are combination carriers transporting mainly caustic soda solution and all types of dry cargo, mainly to/from the Far East, the Middle East, Australia, Brazil and North America. The CLEANBU vessels are designed to transport clean petroleum products in addition to caustic soda and dry bulk products, giving them a wider range of trading possibilities. The Group holds individual options for additional four CLEANBU vessels at the same yard.

The construction of the CLEANBU vessels is progressing well and experience transfers from the operation of MV Baru during the first six months of operation were implemented on MV Barracuda before delivery in July and will be corrected on the next six vessels before delivery. The third CLEANBU, MV Barramundi, is scheduled for delivery in mid-September and the fourth vessel, MV Baleen, in February 2020. MV Baru completed guarantee works at a yard in China in early April and is scheduled to make a guarantee docking in October after completing the ongoing grain voyage.

Two CABU vessels have or will go through periodic drydocking during 2nd half of 2019. MV Barcarena completed drydocking in July and MV Banastar will commence drydocking in late August. Water ballast treatment system have or will be installed on both vessels during the drydocking.

MARKET DEVELOPMENT

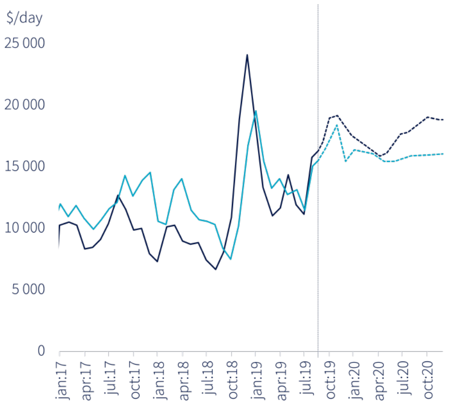
Earnings of KCC's combination carriers are driven by the dry bulk, tanker and fuel markets. KCC are mostly influenced by the standard MR-tanker, LR-tanker and panamax/kamasarmax dry bulk markets as the vessels size and capabilities of KCC's vessels correspond to these standard vessels. Hence, KCC's earnings are impacted by the market development in these dry bulk and product tanker segments. Due to KCC's efficient combination trading pattern with minimal ballast, KCC's earnings are also positively impacted by increased fuel costs.

Dry bulk freight rates have more than doubled since the historically weak rates in the first quarter of 2019. Panamax rates in Q1-2019 were on average USD 6,957/day increasing to in average USD 9,500/day in Q2-2019 and strengthened further during the summer to USD 15,500/day to date Q3-2019. The reason for the recent improvements in dry bulk market is partly due to the returning iron ore shipment volumes from Vale after the Brumadinho dam disaster in January, as well as a tightness of dry bulk tonnage in the Atlantic for the loading of grains out of East Coast South America.

After a strong start of the year, the product tanker market fell back considerably during Q1-2019 and has been maintained at relatively modest levels through Q2-2019 and to date in Q3-2019. January delivered USD 19,400 for the MR TC7 TCE but was soon adjusted down to USD 13,200 for Q2-2019 and Q3-2019 to date has been USD 12,700/day. Product tanker earnings in 2019 have still been maintained at higher levels than during recent years and the summer market has been the strongest since 2016. Market expectations are strong for Q4 2019 as increased refinery runs are expected to produce IMO 2020 compliant fuels from end of the third quarter to be distributed to ports around the world during the fourth quarter. The implementation of IMO 2020 regulations is widely expected to support product tanker markets also in 2020.

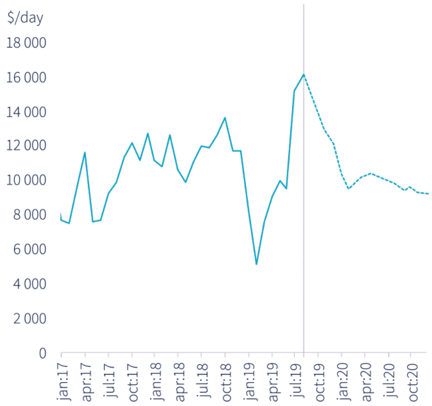
Bunker markets have weakened through 2nd quarter of 2019 with Singapore high sulphur fuel oil (HSFO) prices decreasing from USD 424/mt end of March to USD 376/mt end of June in line with the fall in crude prices. HSFO vs marine gas oil (MGO) spread has been stable at about USD 220 pmt. Due to implementation of the IMO 2020 regulation, the forward spread between crude oil and HFSO is trading significantly weaker compared to the last half year's settled values resulting in a wider spread between HSFO and MGO of about USD 300 pmt for the Q4-19 and Cal 2020 periods.

Fig. 1: Product tanker market



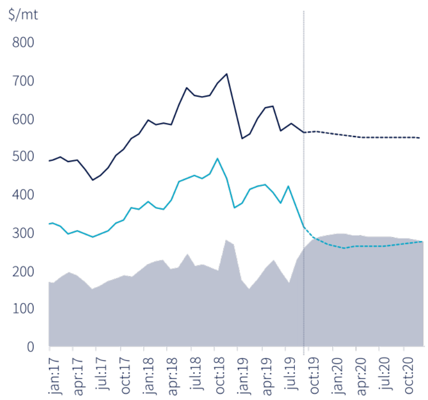
— MR
— Triangle Trade—TC5

Fig. 2: Dry bulk market



— P4TC

Fig. 3: Fuel market



MGO/HSFO Spread
— MGO
— HFO

HEALTH, SAFETY AND ENVIRONMENT

HEALTH AND SAFETY

Safety is KCC's priority number one and to Board's satisfaction there were no major incidents in first half of 2019. There was one "medium injury" in Q2 2019 (injured finger) and one in Q1 2019 where one crew member had to be repatriated for 60 days following a fall.

HEALTH & SAFETY KPI'S	Q2 2019	Q2 2018	Q2 2019 YTD	Q2 2018 YTD
# of medium*	1	-	2	-
# of major** injuries	-	-	-	-
# of navigational incidents	-	-	-	-
# of spills to the environment	-	-	-	-

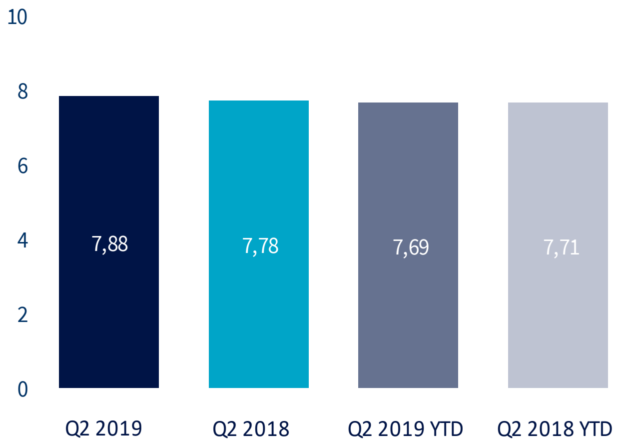
** Medium = medical treatment and repatriation, but will return to work*
***Major = Will never return to work (severe injury or death)*

ENVIRONMENT

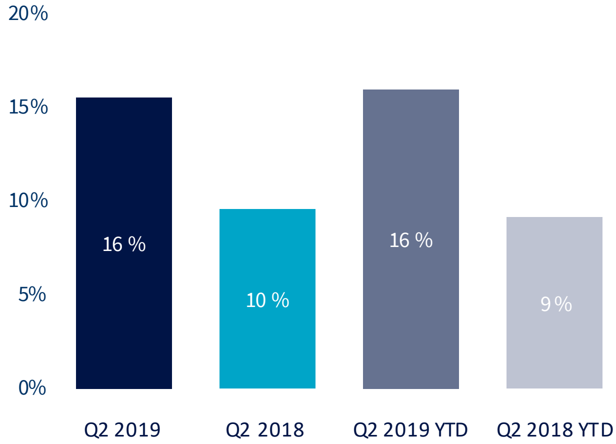
The operation of vessels has an impact on the environment. The company is taking technical and operational precautions to protect the environment as embodied in International Safety Management Code (ISM-code) and the MARPOL convention. Furthermore, an effective dry-wet combination trading pattern with limited number of ballast days is substantially reducing the environmental footprint of the Group's activities compared to standard dry bulk and tanker vessels.

The CO2 emission per ton transported per nautical mile expressed through the Energy Efficiency Operational Indicator (EEOI) and ballast days in % of total

Co2 emission per ton transported cargo per nautical mile (EEOI)[3]



Ballast days in % of total onhire days



OUTLOOK AND SUBSEQUENT EVENTS

The outlook for the CABUs for 2nd half of 2019 is positive with CABU earnings expected to significantly improve on the back of a higher number of already booked caustic soda contract cargoes to Australia compared to 1st half 2019. CSS shipment volume to Brazil has increased after the end of the production-embargo at Alunorte in May and is expected to increase further in Q4-2019 after Alunorte, as announced, will be back to full production. TC-equivalent earnings of the CABU fleet in 2019 is expected to be in line with last year's earnings of ~USD 17,400/day. Two CABU vessels will complete dry docking and install water ballast treatment system within 3rd quarter of 2019.

The introduction of the CLEANBUs in 2019 with start-up costs, additional off-hire for MV Baru and phasing-in as regular tanker vessel negatively impact KCC's 2019 results. Earnings for the CLEANBUs are expected to improve considerably during 2nd half of 2019 after the first vessel, MV Baru, started combi-trading in June and the lead times from delivery to start of combi-trading for the second vessel, MV Barracuda, and subsequent vessels are expected to be considerably shorter than for the first CLEANBU vessel. The successful first wet-dry combi shipment to/from South America proves the ability of the CLEAN-BU vessels to generate earnings 1.5-2 times the standard markets.

The bond loan (KCC03 PRO) was transferred from ABM to Oslo Børs with effect 5 July 2019 with the ticker code KCC03.

The Company's Board of Directors declared a dividend of USD 0.5 million (USD 0.01 per share) for the 2nd quarter of 2019 based on the Company's policy to pay minimum 80% of adjusted free cash flow to equity as dividends to shareholders on a quarterly basis.

3) EEOI (Energy Efficiency Operational Index) is defined by IMO and represents CO2 emitted per transported cargo per nautical mile for a period of time (both fuel consumption at sea and in port included). In theory, this index will show the good energy efficiency for the combination carriers as we have a little degree of ballast, but we have also seen that the index is highly affected by one or two longer ballast legs since the fleet is relatively small. These variations are evident when we look at the historical numbers, but will most likely be more stable when we have more vessels in the fleet.

RESPONSIBILITY STATEMENT BY THE BOARD AND CEO

The Board and CEO has reviewed and approved the condensed financial statements for the period 1 January to 30 June 2019. To the best of our knowledge, we confirm that

- The condensed financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 Interim Financial Statements.
- The information presented in the condensed financial statements gives a true and fair view of the company’s assets, liabilities, financial position and profit.
- The management report includes a fair review of important events that have occurred during the period and their impact on the consolidated financial statements and a description of the principal risks and uncertainties for the period.
- The information presented in the condensed interim financial statements gives a true and fair view on related-party transactions.

Oslo, 25 August 2019

The Board of Directors of
Klaveness Combination Carriers ASA

Lasse Kristoffersen	**Magne Øvreås**	**Morten Skedsmo**
Chairman of the Board	**Board member**	**Board member**
Lori Wheeler Næss	**Stephanie Sanvy Wu**	**Engebret Dahm**
Board member	**Board member**	**CEO**

INCOME STATEMENT

		Quarter ended		YTD		Year ended
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
USD'000	Notes	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Freight revenue	3	31 774	26 748	60 081	26 748	84 284
Charter hire revenue	3	349	2 796	581	16 145	17 540
Total revenues, vessels	3	**32 122**	**29 544**	**60 663**	**42 893**	**101 824**
Voyage expenses		(19 515)	(15 130)	(34 730)	(15 130)	(45 431)
Net revenues from operations of vessels		**12 607**	**14 415**	**25 933**	**27 764**	**56 393**
Operating expenses, vessels		(6 875)	(5 064)	(13 837)	(10 010)	(21 599)
Group commercial and administrative services	10	(1 067)	(776)	(2 328)	(1 747)	(3 618)
Tonnage tax	11	(38)	(32)	(74)	(76)	(119)
Other operating and administrative expenses		(401)	(92)	(731)	(107)	(300)
Operating profit before depreciation		**4 227**	**8 450**	**8 963**	**15 824**	**30 757**
			-			
Ordinary depreciation	4	(3 142)	(4 102)	(5 920)	(8 273)	(16 840)
Operating profit after depreciation		**1 085**	**4 348**	**3 043**	**7 551**	**13 917**
			-			
Finance income	8	815	631	1 545	2 300	2 234
Finance costs	8	(3 776)	(1 807)	(7 268)	(3 225)	(7 374)
Profit before tax		**(1 876)**	**3 172**	**(2 680)**	**6 626**	**8 777**
Income tax expenses	11	-	-	-	-	59
Profit after tax		**(1 876)**	**3 172**	**(2 680)**	**6 626**	**8 836**
Attributable to:						
Equity holders of the parent company		(1 876)	2 487	(2 680)	5 768	7 978
Non-controlling interests		-	685	-	858	858
Total		**(1 876)**	**3 172**	**(2 680)**	**6 626**	**8 836**
Earnings per Share (EPS):						
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		**(0,04)**	**0,10**	**(0,06)**	**0,22**	**0,23**

STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		YTD		Year ended
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
USD '000	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Profit/ (loss) of the period	**(1 876)**	**3 172**	**(2 680)**	**6 626**	**8 836**
Other comprehensive income to be reclassified to profit or loss					
Net movement fair value on cross-currency interest rate swaps (CCIRS)	(14)	-	105	-	-
Reclassification to profit and loss (CCIRS)	(72)	-	211	-	-
Net movement fair value on interest rate swaps	(423)	161	(692)	651	368
Net movement fair value FX hedge	30	-	(14)	-	(35)
Net movement fair value bunker hedge	(323)	-	647	-	(918)
Net movement fair value FFA hedge	(774)	-	212	-	970
Income tax effect	-	-	-	-	-
Net other comprehensive income to be reclassified to profit or loss	**(1 575)**	**161**	**470**	**651**	**385**
Other comprehensive income/(loss) for the period, net of tax	**(1 575)**	**161**	**470**	**651**	**385**
Total comprehensive income/(loss) for the period, net of tax	**(3 452)**	**3 333**	**(2 210)**	**7 278**	**9 221**
Attributable to:					
Equity holders of the parent company	(3 452)	2 560	(2 210)	6 086	8 029
Non-controlling interests	-	774	-	1 192	1 192
Total	**(3 452)**	**3 333**	**(2 210)**	**7 278**	**9 221**

STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 30 Jun 2019	Audited 31 Dec 2018
Non-current assets			
Deferred tax asset	11	15	15
Vessels	4	213 844	167 037
Newbuilding contracts	5	64 342	59 877
Right of-use assets	4	1 613	-
Long-term financial assets	6	1 075	1 855
Total non-current assets		**280 889**	**228 786**
Current assets			
Short-term financial assets	6	1 073	464
Inventories		5 112	5 883
Trade receivables and other current assets		15 729	9 870
Short-term receivables from related parties		49	594
Cash and cash equivalents	7	127 996	88 263
Total current assets		**149 958**	**105 074**
TOTAL ASSETS		**430 847**	**333 859**

EQUITY AND LIABILITIES		Unaudited 30 Jun 2019	Audited 31 Dec 2018
Equity			
Share capital	9	5 725	4 863
Share premium		130 232	92 271
Other reserves		521	51
Retained earnings		75 367	80 901
Total equity		**211 845**	**178 086**
Non-current liabilities			
Mortgage debt	6	147 471	95 746
Long-term liabilities to related parties	6	-	36 000
Long-term financial liabilities	6	2 541	450
Long-term lease liabilities		1 297	-
Bond loan	6, 10	34 994	-
Total non-current liabilities		**186 303**	**132 196**
Current liabilities			
Short-term mortgage debt	6	15 902	12 200
Other interest bearing liabilities	6	7 851	2 172
Short-term financial liabilities	6	271	918
Short-term lease liabilities		332	-
Trade and other payables		7 656	7 601
Short-term debt to related parties		570	563
Tax liabilities	11	115	123
Total current liabilities		**32 698**	**23 577**
TOTAL EQUITY AND LIABILITIES		**430 847**	**333 859**

STATEMENT OF CHANGES IN EQUITY

(Figures in USD '000)

	Attributable to equity holders of the parent						
Unaudited 2019	**Share capital**	**Other paid in capital**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity 1 January 2019	**4 863**	**92 271**	**51**	**80 901**	**178 086**	**-**	**178 086**
Profit (loss) for the period	-	-	-	(2 680)	**(2 680)**	-	**(2 680)**
Other comprehensive income for the period	-	-	470	-	**470**	-	**470**
Dividends	-	-	-	(2 854)	**(2 854)**	-	**(2 854)**
Capital increase	862	37 961	-	-	**38 824**	-	**38 824**
Equity at 30 June 2019	**5 725**	**130 232**	**521**	**75 367**	**211 845**	**-**	**211 845**

Unaudited 2018	**Share capital**	**Other paid in capital**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity 1 January 2018	**-**	**48 997**	**-**	**103 877**	**152 874**	**20 441**	**173 315**
Profit (loss) for the period	-	-	-	5 768	**5 768**	858	**6 626**
Other comprehensive income for the period	-	-	318	-	**318**	334	**651**
Bonus issue (establishment March 23, 2018)	142	(142)	-	-	**-**	-	**-**
Capital reduction	(13)	(35 987)	-	-	**(36 000)**	-	**(36 000)**
Dividends to non-controlling interests	-	-	-	-	**-**	(495)	**(495)**
Group contribution	-	-	-	(23 746)	**(23 746)**	-	**(23 746)**
Capital increase (April 30, 2018)	36	39 695	-	-	**39 731**	-	**39 731**
Acquisition of non-controlling interest (April 25, 2018)	-	-	-	(260)	**(260)**	(363)	**(623)**
Acquisition of non-controlling interest (April 30, 2018)	-	-	-	(6 947)	**(6 947)**	(20 775)	**(27 722)**
Equity at 30 June 2018	**165**	**52 563**	**318**	**78 692**	**131 738**	**-**	**131 738**

Audited 2018	**Share capital**	**Other paid in capital**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Equity 1 January 2018	**-**	**48 997**	**-**	**103 877**	**152 874**	**20 441**	**173 315**
Profit (loss) for the period	-	-	-	7 978	**7 978**	858	**8 836**
Other comprehensive income for the period	-	-	51	-	**51**	334	**385**
Bonus issue (establishment March 23, 2018)	142	(142)	-	-	**-**		**-**
Capital reduction	(13)	(35 987)	-	-	**(36 000)**	-	**(36 000)**
Capital increase (April 30, 2018)	36	39 695	-	-	**39 731**	-	**39 731**
Acquisition of non-controlling interest (April 25, 2018)	-	-	-	(260)	**(260)**	(363)	**(623)**
Acquisition of non-controlling interest (April 30, 2018)	-	-	-	(6 947)	**(6 947)**	(20 775)	**(27 723)**
Group contribution	-	-	-	(23 746)	**(23 746)**	-	**(23 746)**
Dividends to non-controlling interests	-	-	-	-	-	(495)	**(495)**
Bonus issue	3 684	(3 684)	-	-	-	-	-
Capital increase (October 10, 2018)	1 014	43 393	-	-	**44 407**	-	**44 407**
Equity at 31 December 2018	**4 863**	**92 271**	**51**	**80 901**	**178 086**	**-**	**178 086**

CASH FLOW STATEMENT

(Figures in USD '000)

		Quarter ended		YTD		Year ended
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Notes	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Profit before tax		(1 876)	3 313	(2 680)	6 600	8 777
Tonnage tax expensed	10	38	32	74	76	119
Ordinary depreciation	4	3 142	4 102	5 920	8 273	16 840
Amortization of upfront fees bank loans		77	58	154	109	228
Financial derivatives unrealised loss / gain (-)	6	660	(655)	1 119	(2 517)	(1 163)
Gain/loss on foreign exchange		473	-	473	-	-
Interest income	7	(554)	(152)	(1 095)	(445)	(1 071)
Interest expenses	7	2 272	1 717	4 566	3 043	6 972
Taxes paid for the period	10	-	-	(45)	-	-
Change in current assets		(4 937)	5 732	(4 525)	2 369	(2 070)
Change in current liabilities		583	(6 816)	(537)	(3 814)	(1 782)
Interest received	7	554	152	1 095	445	1 071
A: Net cash flow from operating activities		**432**	**7 482**	**4 520**	**14 139**	**27 920**
Acquisition of tangible assets	4	(466)	(2 093)	(986)	(2 386)	(2 817)
Installments and other cost on newbuilding contracts	5	(9 971)	(10 280)	(56 026)	(15 752)	(22 126)
Acquisition of subsidiaries, net of cash		-	-	-	863	863
B: Net cash flow from investment activities		**(10 437)**	**(12 373)**	**(57 013)**	**(17 275)**	**(24 080)**
Proceeds from mortgage debt	6	31 000	-	62 000	-	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	(3 481)	(4 303)	(6 531)	(5 774)	(10 528)
Interest paid	7	(2 147)	(1 674)	(3 865)	(3 000)	(7 103)
Repayment of financial lease liabilities		(90)	-	(179)	-	-
Capital increase April 30, 2018		-	12 000	-	12 000	12 000
Capital increase October 10, 2018		-	-	-	-	45 000
Capital increase		40 096	-	40 096	-	-
Transaction costs on capital increase		(1 035)	-	(1 035)	-	(581)
Acquisition of non-controlling interests		-	-	-	-	(622)
Group contribution/dividend		(2 854)	-	(2 854)	(9 958)	(9 958)
Dividends to non-controlling interests		-	-	-	(495)	(495)
C: Net cash flow from financing activities		**61 490**	**6 022**	**86 548**	**(7 227)**	**30 713**
Net change in liquidity in the period (A + B + C)		**51 485**	**1 131**	**34 055**	**(10 364)**	**34 552**
Cash and cash equivalents at beginning of period*		68 660	41 175	86 090	51 538	51 538
Cash and cash equivalents at end of period*		120 145	42 306	120 145	41 175	86 090
Net change in cash and cash equivalents in the period		**51 485**	**1 131**	**34 055**	**(10 364)**	**34 552**

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

Notes

01 Accounting policies

CORPORATE INFORMATION

Klaveness Combination Carriers ASA ("parent company/the Company/ KCC") is a public limited liability company domiciled and incorporated in Norway. The parent company has its headquarter and registered office in Drammensveien 260, 0283 Oslo. The Company was listed on Oslo Axess at May 22, 2019.

The objectives of the Group is to provide transportation for drybulk, chemical and product tanker clients, as well as to develop new investment and acquisition opportunities that fit the Group's existing business platform. The Group has nine CABU vessels, that have capacity to transport caustic soda as well as all dry bulk commodities. In addition, the Group has one CLEANBU vessel in operation and seven CLEANBU newbuildings with estimated delivery between Q3-2019 and Q1-2021. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

ACCOUNTING POLICIES

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the Europen Union and are based on IAS 34 *Interim Financial Reporting.* The interim condensed financial statements of the Group should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS, as adopted by the European Union.

NEW ACCOUNTING STANDARDS

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the year ended 31 December 2018 except for the adoption of new accounting standards or amendments with effective date after 1 January 2019 (see description below).

IFRS 16 Leases, effective from 1 January 2019

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 Group 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.

There was no material impact of other new accounting standards adopted by the period, and further reference is given to the annual report for 2018.

02 Segment reporting

The Group is an owner and operator of combination carriers and operates mainly within the dry bulk shipping industry and the product tanker industry. Currently, the Group owns nine CABUs, one CLEANBU on water and seven CLEANBUs on order with expected deliveries through 2019, 2020 and 2021.

CABUs are from 72,456 dwt to 80,344 dwt and have the capacity to transport caustic soda solution (CSS), floating fertilizer (UAN) and molasses as well as all types of dry bulk commodities.

The CLEANBUs have approximately 82,500 dwt carrying capacity. The CLEANBUs are both full-fledged LR1 product tankers and Kamsarmax bulk carriers transporting clean petroleum products (CPP), heavy liquid cargoes such as CSS, UAN and molasses as well as all types of dry bulk products. The first CLEANBU vessel was delivered in January 2019.

The first CPP voyage for the first delivered CLEANBU, MV Baru, was completed in the second quarter of 2019. The reporting of the combination carriers results has from the second quarter 2019 changed to focus on CABU and CLEANBU as two segments, to better follow up on the performance of the different vessels concepts. The Group identifies and reports its segments based on information provided to the Management and the Board of Directors. Resources are allocated and decisions are made based on this information.

Segment reporting below includes financials for the two segments from delivery of the first CLEANBU vessel 10 January 2019. In 2018, the Group had only one segment and information on segment performance is found for the combination carriers segment and thus is equal to the Income Statement, Statement of Financial Position and Cash flow statement.

Operating income and operating expenses per segment Q2 2019 (USD'000)	Cabu	Cleanbu	Total
Operating revenue, vessels	30 290	1 832	32 122
Voyage expenses	(18 648)	(867)	(19 515)
Total operating revenue	11 643	965	12 607
Operating expenses, vessels	(5 147)	(1 728)	(6 875)
Group administrative services	(800)	(267)	(1 067)
Tonnage tax	(34)	(4)	(38)
Ordinary depreciation	(2 636)	(506)	(3 142)
Other operating and administrative expenses	(301)	(100)	(401)
Total operating expenses	**(8 918)**	**(2 605)**	**(11 523)**
Operating profit/EBIT	**2 724**	**(1 641)**	**1 085**

Reconciliation of average revenue per onhire day Q2 2019 (USD'000)	Cabu	Cleanbu	Total
Net revenues from operations of vessels	11 643	965	12 607
IFRS 15 adjustment	237	-	237
Net revenue ex IFRS adjustment	11 880	965	12 844
Onhire days	790	75	865
Average revenue per onhire day ($/d)	**15 038**	**12 905**	**14 854**

Reconciliation of opex per day Q2 2019 (USD'000)	Cabu	Cleanbu	Total
Operating expenses, vessels	5 147	1 728	6 875
Start up cost CLEANBU vessels	-	369	369
Operating expenses, vessels adjusted	5 147	1 359	6 506
Operating days	819	91	910
Opex per day ($/d)	**6 284**	**14 939**	**7 150**

Operating income and operating expenses per segment Q2 2019 YTD (USD'000)	Cabu	Cleanbu	Total
Operating revenue, vessels	58 182	2 481	60 663
Voyage expenses	(33 572)	(1 158)	(34 730)
Total operating revenue	**24 610**	**1 324**	**25 933**
Operating expenses, vessels	(10 854)	(2 984)	(13 837)
Group administrative services	(2 095)	(233)	(2 328)
Tonnage tax	(67)	(7)	(74)
Ordinary depreciation	(4 925)	(995)	(5 920)
Other operating and administrative expenses	(548)	(183)	(731)
Total operating expenses	**(18 489)**	**(4 401)**	**(22 890)**
Operating profit/EBIT	**6 120**	**(3 078)**	**3 043**

Reconciliation of average revenue per onhire day Q2 2019 YTD (USD'000)	Cabu	Cleanbu	Total
Net revenues from operations of vessels	24 610	1 324	25 933
IFRS 15 adjustment	209	-	209
Net revenue ex IFRS adjustment	24 818	1 324	26 142
Onhire days	1 595	108	1 703
Average revenue per onhire day ($/d)	**15 560**	**12 255**	**15 350**

Reconciliation of opex per day Q2 2019 YTD (USD'000)	Cabu	Cleanbu	Total
Operating expenses, vessels	10 854	2 984	13 837
Start up cost CLEANBU vessels	-	922	922
Operating expenses, vessels adjusted	10 854	2 061	12 915
Operating days	1 629	171	1 800
Opex per day ($/d)	**6 663**	**12 055**	**7 175**

03 Revenue from contracts with customers

Disaggregated revenue information

The Group has income from COA contracts (1-3 years), spot voyages and TC trips. Set out below is the disaggregation of the Group's revenue from contracts with customers. Prior to acquisition of KCC Chartering AS (KCCC) in end March 2018, KCCC distributed its net revenue to the Group as variable time charter revenue.

		Quarter ended		YTD		Year ended
Revenue types (USD'000)	Classification	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Revenue from COA contracts	Freight revenue	19 281	23 002	39 290	23 002	73 048
Revenue from spot voyages	Freight revenue	12 493	3 746	20 791	3 746	11 237
Revenue from TC contracts	Charter hire revenue	349	2 121	581	2 121	4 286
Revenue from TC contracts (KCC Chartering)	Charter hire revenue	-	-	-	13 349	13 253
Other revenue		-	675	-	675	-
Total revenue, vessels		**32 122**	**29 544**	**60 663**	**42 893**	**101 824**

04 Vessels

Vessels (USD '000)	30 Jun 2019	31 Dec 2018
Cost price 1.1	330 218	326 129
Delivery of newbuildings	51 561	-
Adjustment acquisition value newbuildings delivered	-	2 515
Additions (mainly upgrading and docking of vessels)	986	1 574
Costprice end of period	**382 766**	**330 218**
Acc. Depreciation 1.1	163 181	146 341
Depreciation for the period	5 741	16 840
Acc. Depreciation end of period	**168 922**	**163 181**
Carrying amounts end of period*	**213 844**	**167 037**
*) carrying value of vessels includes dry-docking		
No. of vessels	10	9
Useful life	25	20
Depreciation schedule	Straight-line	Straight-line

ADDITIONS

The CLEANBU vessel MV Baru was delivered from Jiangsu New Yangzi Shipbuilding Co., Ltd in China 10 January 2019.

CHANGE IN ESTIMATES

Useful life for the combination carrier vessels is reassessed on a yearly basis. One of the main caustic soda COA's was renewed in late 2018 for 3-5 years, where maximun vessel age was increased from 20 to 25 years. Based on this, useful life for the Group's vessels is increased from 20 to 25 years. Other COA customers have as well accepted (some formally and other unformally) vessel age up to 25 years.

Useful life is increased from 20 to 25 years as from 01.01.2019. The updated estimate is further supported by the vessels current condition and industry practice for tank and bulk carriers. Due to a decline in steel prices for demolition, the Group has adjusted the estimate for residual value down from 380 usd/mt to 325 usd/mt.

The net effect of these changes in assumptions will decrease yearly depreciation for the CABU vessels of approximately USD 6.4 million in 2019 compared to 2018.

IMPAIRMENT ASSESSMENT

As per June 30, 2019, no impairment indicators are identified .

Right-of-use assets (USD '000)	30 June 2019	31 Dec 2018
Cost price 1.1	1 693	-
Addition of right-of-use assets	188	-
Disposals	(89)	
Costprice end of period	**1 792**	**-**
Acc. Depreciation 1.1	-	-
Depreciation	179	-
Acc. Depreciation end of period	**179**	**-**
Carrying amounts end of period	**1 613**	**-**

The Group adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospective method, see note 1. The Group has leasing agreements related to satelite communication and IT equipment onboard the vessels. A lease liability and right-of-use assets have been presented for these contracts which previously were reported as operating expenses.

05 Newbuildings

The Group has seven combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in 2019, 2020 and 2021. The contracts include options for further vessels. The first vessel from the newbuilding programme, MV Baru, was delivered 10 January 2019.

Bank loans have been secured for the six newbuilds (incl MV Baru) with delivery in 2019 and 2020 (note 6).

(USD '000)	30 Jun 2019	31 Dec 2018
Cost 1.1	59 877	37 751
Borrowing cost	223	867
Yard installments paid	52 550	19 151
Other capitalized cost	3 253	2 108
Delivery of newbuilings	(51 561)	-
Net carrying amount	**64 342**	**59 877**

CAPITAL COMMITMENT

The commitments related to the seven newbuildings are set out below.

Remaining installments at 30 June 2019 (USD '000)	2019	2020	2021	Total
Combination carriers	86 290	120 900	65 100	272 290
Total commitments newbuildings	**86 290**	**120 900**	**65 100**	**272 290**

06 Financial assets and liabilities

The below tables present the Group's financing arrangements as per 30 June 2019. In January 2019 the Group (KCC) entered into an agreement with Klaveness Ship Holding AS (KSH) and Nordic Trustee AS (bond trustee) to be the issuer of Klaveness Ship Holding AS's NOK 300 million unsecured bond loan. As part of the settlement the shareholder loan of USD 36 million from KSH was repaid while KCC simultaneously assumed the obligation of the bond loan, and the net difference in principal amount and accrued interest was settled between KCC and KSH. The bond loan (KCC03 PRO, previously KSH03 PRO) is listed on Nordic ABM (transferred from ABM to Oslo Børs effective 5 July 2019) and has a bullet structure with full repayment at maturity in 2021. The bond loan bears an interest rate of three months NIBOR plus a margin of 5.25 %. Furthermore, the Group entered into a cross-currency interest rate swap (CCIRS) against KSH to mitigate currency and interest rate risk associated with the bond loan. The bond loan is converted to a fixed rate USD loan at the same USDNOK rate as the loan settlement, paying a 6.98% fixed rate. The CCIRS's qualify for hedge accounting and are recognised at fair value with changes through other comprehensive income. Fair value is calculated based on indicative valuations (Source: Thomson Reuters). Fair value is not based on observable market data, hence included in fair value hierarchy level 2.

During the first half of 2019 the Group made a total USD 62 million in drawdowns under the USD 105 million DNB/SEB term loan facility. Drawdowns were made in connection with the delivery of the newbuild vessels MV Baru (delivered in January) and MV Barracuda (delivered in July). USD 31 million was drawn for each of the vessels.

During the first quarter of 2019, the Group signed a financing facility agreement to finance two CLEANBU newbuildings with delivery in 2020 ("USD90.7million SEB/SR-Bank/SPV financing facility"). The facility was later upsized to include a third newbuild vessel with scheduled delivery in 2020. The facility is provided as a term loan for two vessels and revolving credit facility for the third vessel. Other terms are mainly in line with current financing facilities.

At 30 June 2019 the Group has USD 121.7 million in undrawn bank financing available on delivery of four vessels with delivery in 2019 and 2020.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	91 463
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	72 627
SEB/SR-Bank/SPV Facility	Term loan/RCF, USD 90.75 mill			-
Capitalized loan fees				(717)
Mortgage debt 30 June 2019				**163 374**

Bond loan (KCC03)	Face value NOK'000	Year of maturity	Carrying amount 30Jun 2019 USD'000
Original loan amount	300 000	27.05.2021	35 370
Exchange rate adjustment			(118)
Capitalized expenses			(258)
Bond loan	**300 000**		**34 994**

(USD '000) Interest bearing liabilities	Fair value 30 Jun 2019	Carrying amount 30 Jun 2019	Carrying amount 31 Dec 2018
Mortgage debt	148 188	148 188	96 163
Capitalized loan fees	-	(717)	(417)
Intercompany interest bearing debt	-	-	36 000
Bond loan	35 682	35 370	-
Exchange rate adjustment bond loan	-	(118)	-
Capitalized expenses bond loan	-	(258)	-
Total non-current interest bearing liabilties	**183 870**	**182 466**	**131 746**
Mortgage debt, current	15 902	15 902	12 200
Overdraft facility (Secured)	7 851	7 851	2 172
Total interest bearing liabilities	**207 622**	**206 218**	**146 118**

MATURITY PROFILE TO FINANCIAL LIABILITIES AT 30 JUNE 2019

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. Interest bearing debt and unsecured debt includes interest payments and interest hedge.

(USD '000) Maturity profile financial liabilities at 30 Jun 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	(22 684)	(103 950)	(58 405)	-	(185 040)
Bond loan (incl interest) (note 8)	(2 464)	(37 550)	-	-	(40 013)
Total	**(22 684)**	**(103 950)**	**(58 405)**	**-**	**(225 053)**

Loan facilities to be refinanced during the next 12 months are included in <1 year.

COVENANTS

As per 30 June 2019, the Group is in compliance with all financial covenants. On Group level financial covenants relates to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million). Financial covenants on KCC Shipowning Group level relates to minimum equity (USD 110 million) and equity ratio (30%), minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net debt to operating profit of max 7x in 2020 and max 5x from 2021 (no covenant in 2019, some facility agreements includes a loan margin adjustment based on net debt to operating profit ratio in 2019 and 2020). In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Financial assets (USD '000)	30 Jun 2019	31 Dec 2018
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	317	-
Interest rate swaps	-	322
Forward freight agreements	1 130	970
FX hedge (AUD/USD)	1	-
Financial instruments at fair value through P&L		
Forward freight agreements	405	-
Interest rate swaps	294	1 027
Financial assets	**2 148**	**2 319**
Current	1 073	464
Non-current	1 075	1 855

Financial liabilities, non-current (USD '000)	30 Jun 2019	31 Dec 2018
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	211	-
Interest rate swaps	385	-
Fuel Hedge	271	918
FX Hedge (AUD/USD)	-	38
Financial instruments at fair value through P&L		
Interest rate swaps	1 944	412
Financial liabilities, non-current	**2 812**	**1 368**
Current	271	918
Non-current	2 541	450

07 Cash and cash equivalents

The Group has bank deposits in the following currencies:

USD'000	30 Jun 2019	31 Dec 2018
Bank deposits, NOK	4 625	668
Bank deposits, USD	123 103	87 399
Cash	267	196
Total cash and cash equivalents	**127 996**	**88 263**

Cash as per 30 June 2019 includes USD 31.0 million from drawdown on the loan financing MV Barracuda (note 6). The cash was later used for the final installment of MV Barracuda which was delivered 29 July 2019 (note 12).

08 Financial items

(USD '000)	Quarter ended		YTD		Year ended
Finance income	**30 Jun 2019**	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**
Interest received from related parties	-	-	-	144	114
Other interest income	598	142	1 138	296	927
Fair value changes interest rate swaps	1	489	405	1 865	1 163
Fair value changes in FFA	216	-	-	-	-
Finance income	**815**	**631**	**1 545**	**2 305**	**2 234**

(USD '000)	Quarter ended		YTD		Year ended
Finance cost	**30 Jun 2019**	**30 Jun 2018**	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**
Interest paid to related parties*	-	321	202	321	1 605
Interest expenses mortgage debt	1 692	1 386	3 396	2 722	5 366
Interest expenses bond loan	580	-	967	-	-
Interest expenses bond loan	45	-	45	-	-
Amortization capitalized fee's mortage debt	77	58	154	109	228
Other financial expenses	33	37	69	73	135
Loss on foreign exchange	473	5	473	-	40
Fair value changes interest rate swaps	877	-	1 962	-	-
Finance cost	**3 776**	**1 807**	**7 268**	**3 225**	**7 374**

*Interests on shareholder loan settled in January 2019.

09 Share capital, shareholders, dividends and reserves

On 15 May 2019, KCC ASA announced that it had raised NOK 350 million in gross proceeds through a private placement of 7,368,000 new shares at a price per share of NOK 47.50 per share. In addition, the joint bookrunners have over-allotted an additional 382,000 shares. KCC ASA was listed at Oslo Axess (Stock Exchange) on 22 May 2019. The net proceeds will be used to finance the equity portion of the seventh and eight CLEANBU newbuilding which was decleared 15 May 2019. Following exercise of the over-allotment option granted in connection with the listing of the shares, the Company issued 147,000 new shares at end of stabilisation period on 21 June 2019.

Dividends of USD 1.4 million were paid to the shareholders in April 2019 and dividends of USD 1.4 million were paid to the shareholders in June 2019 based on results for respectively the 4th quarter 2018 and the first quarter 2019.

Date	Shares	Adjusted for share split	Notional (NOK)	Share capital (NOK)
Shares and share capital 23 March 2018	100 000	25 000 000	10	1 000 000
Shares issued 30 April 2018	129 081	32 270 250	10	1 290 810
Shares issued 10 September 2018	32 270 250	32 270 250	1	32 270 250
Shares issued 12 October 2018	40 512 000	40 512 000	1	40 512 000
Shares and share capital at 31 December 2018	**40 512 000**			**40 512 000**
Shares issued 15 May 2019	47 880 000	47 880 000	1	47 880 000
Shares issued 26 June 2019	48 027 000	48 027 000	1	48 027 000
Shares and sharecapital at 30 June 2019	**48 027 000**			**48 027 000**

10 Transactions with related parties

	Quarter ended		YTD		Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
G&A fee to Klaveness AS	559	246	1 230	493	1 966
Commercial management fee to Klaveness AS	407	475	926	1 147	1 349
Project management fee to Klaveness AS	-	55	-	107	107
Travel expenses and operating cost reinvoiced from Klaveness AS	100	-	171	-	195
Group commercial and administrative services	**1 067**	**776**	**2 328**	**1 747**	**3 617**

	Quarter ended		YTD		Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Technical management fee to KSM* (reported as part of opex)	683	494	1 325	993	2 099
Crewing agency fee to KSM* (reported as part of opex)	233	213	456	408	746
Supervision fee to Klaveness AS (capitalised on newbuildings)	515	781	643	999	1 937
Interest cost to related parties (Klaveness Ship Holding AS)	-	321	202	321	1 605
Interest income from related parties	-	144	-	144	144
Total other transactions with related parties	**1 431**	**1 952**	**2 626**	**2 865**	**6 531**

* KSM refers to Klaveness Ship Management AS

Bond loan - Change of debitor

An unsecured bond loan of NOK 300 million changed debtor from Klaveness Ship Holding AS (major shareholder of KCC) to Klaveness Combination Carriers ASA in end January 2019 (note 6). To reduce the risk for changes in currency and interest rate on the bond loan, the Group entered into a cross-currency interest rate swap agreement (CCIRS) with Klaveness Ship Holding AS (note 6).

11 Tax

The Group mainly operates in the Norwegian tonnage tax regime which exempts ordinary tax on shipping income, instead a tonnage tax fee is payable based on the size of the vessel. The fee is recognised as an operating expense. Financial income is taxable according to the Norwegian tonnage tax regime based on the company tax rate in Norway of 22 %. No tax payable or changes in tax positions are expected in the companies under tonnage taxation.

Parent company (KCC) and the subsidiaries KCC KBA AS and KCC Chartering AS is regulated by ordinary taxation rules in Norway. The parent company is a holding company with negative taxable income as per June 30, 2019. KCC KBA AS is currently without any activity, whereof deferred tax asset was written down to zero in 2017. KCC Chartering AS is a chartering company which distributes net profit to the shipowning companies. Deferred tax assets are only recognised to the extent that future utilization within the Group can be justified which is not probable as per 30 June 2019. Tax expense for the period is estimated to be zero. Deferred tax asset in the Statement of Financial Position of USD 15 thousand per June 30, 2019 is related to KCC Chartering AS.

12 Events after the balance sheet date

The bond loan (KCC03 PRO) was transferred from ABM to Oslo Børs with effect 5 July 2019 with the ticker code KCC03.

MV Barracuda, was delivered from Jiangsu New Yangzi Shipyard in China at 29 July 2019. The vessel is the second of eight contracted CLEANBU vessels that will be delivered from Jiangsu New Yangzi Shipyard in the period 2019 to 2021. With delivery of the MV Barracuda, the Group will operate a fleet of 11 combination carriers.

On 25 August, 2019 the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 0.5 million.

13 Reconciliation of alternative performance measures

This section describes the non-GAAP financial alternative performance measures (APM) that are used in the quarterly reports. In order to measure performance on an historic basis, the Group has made use of the non-IFRS measures described below. These APMs are provided to enable a deeper understanding of the Company's financial performance and is used by management to measure performance. The APMs should not be considered as a substitute for measures of performance in accordance with IFRS.

EBITDA is defined as total revenue adjusted for operating expenses. EBITDA is used as a measure of the Group's overall financial performance, excluding the impact from financial items, taxes, depreciation, amortization and impairment.The Group has included EBITDA as a measure because management believes it provides useful information regarding the Group's ability to service debt and to fund capital expenditures and provides a helpful measure for comparing its operating performance with that of other companies.

EBITDA adjusted is defined as EBITDA excluding income and/or cost items which are not regarded as part of the underlying operational performance for the period. The Group has adjusted EBITDA for one off costs related to start up cost of CLEANBU vessels. The Group believes that the measure provide information of the profitability of the Group's operating results for the period without regard to costs for the period that are expected to occur less frequently.

EBIT is defined as total revenue less operating expenses, depreciation, amortization and impairment. EBIT is used as a measure ofthe Group's overall financial performance, excluding the impact from financial items and taxes.

EBIT adjusted is defined as EBIT excluding income and/or cost items which are not regarded as part of the underlying operational performance for the period. The Group has adjusted EBIT for one off costs relating to start up cost of Cleanbu vessels.

Average revenue per onhire day is defined as net revenue ex adjustments divided by number of onhiredays. Net revenue ex adjustments is defined as total net revenue from operation of vessels adjusted for offhire compensation and IFRS 15 adjustment. Net revenue ex adjustments measure revenue on a discharge to discharge basis, similar to revenue reporting under IAS 18 prior to adoption of IFRS 15. The Group believes that average revenue per onhire day provides useful information about the Group's earnings and has included the APM as the measure is used in the monthly management reporting to evaluate the Group's periodic performance.

Opex per day is defined as operating expenses, vessels adjusted divided by operating days (incl. offhire). The operating expenses adjusted is defined as operating expenses for the vessels excluding operating expenses which are not regarded as part of the underlying performance for the period and which are expected to occur less frequently. The Group believes the measure provides useful information about the Group's ability to run the vessels effectively.

Return on Capital Employed (ROCE) adjusted is defined as capital employed as a percent of EBIT adjusted. Capital employed is defined as sum of total equity and total interest-bearing debt. In the quarterly reporting ROCE adjusted is based on annualized EBIT adjusted divided by capital employed.

Reconciliation of EBITDA and EBITDA adjusted	Quarter ended		YTD		Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Net revenues from operations of vessels	**12 607**	**14 415**	**25 933**	**27 764**	**56 393**
Operating expenses, vessels	(6 875)	(5 064)	(13 837)	(10 010)	(21 599)
Group commercial and administrative services	(1 067)	(776)	(2 328)	(1 747)	(3 618)
Tonnage tax	(38)	(32)	(74)	(76)	(119)
Other operating and administrative expenses	(401)	(92)	(731)	(107)	(300)
EBITDA	**4 227**	**8 450**	**8 963**	**15 824**	**30 757**
Start up costs CLEANBU vessels	369	-	922	-	-
EBITDA adjusted	**4 595**	**8 450**	**9 886**	**15 824**	**30 757**
Reconciliation of Total income to EBIT and EBIT adjusted					
EBITDA	**4 227**	**8 450**	**8 963**	**15 824**	**30 757**
Depreciation	(3 142)	(4 102)	(5 920)	(8 273)	(16 840)
EBIT	**1 085**	**4 348**	**3 043**	**7 551**	**13 917**
Start up costs CLEANBU vessels	369	-	922	-	-
EBIT adjusted	**1 453**	**4 348**	**3 966**	**7 551**	**13 917**

Reconciliation of average revenue per onhire day	Quarter ended		YTD		Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
Net revenues from operations of vessels	12 607	14 415	25 933	27 764	56 393
Offhire compensation	-	(675)	-	(675)	(675)
IFRS 15 adjustment	237	8	209	579	373
Net revenue ex IFRS adjustment	12 844	13 748	26 142	27 668	56 091
Onhiredays	865	812	1 703	1 620	3 224
Average revenue per onhire days ($/d)	**14 854**	**16 920**	**15 352**	**17 082**	**17 398**

Reconciliation of opex per day	Quarter ended		YTD		Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun-19	30 Jun 2018	31 Dec 2018
Operating expenses, vessels	6 875	5 064	13 837	10 010	21 599
Start up costs CLEANBU vessels	369	-	922	-	-
Operating expenses, vessels adjusted	6 506	5 064	12 915	10 010	21 487
Operating days	910	819	1 800	1 629	3 285
Opex per day ($/d)	**7 150**	**6 183**	**7 175**	**6 145**	**6 541**

Reconciliation of total assets to capital employed and return on capital employed (ROCE) calculation.	Quarter ended		YTD	YTD	Year ended
USD'000	30 Jun 2019	30 Jun 2018	30 Jun-19	30 Jun 2018	31 Dec 2018
Total assets	430 847	284 423	430 847	284 423	333 859
Total liabilities	219 001	152 881	219 001	152 881	155 773
Total equity	211 845	131 700	211 845	131 700	178 086
Total interest-bearing debt	206 218	145 629	206 218	145 629	146 118
Capital employed	**418 064**	**277 329**	**418 064**	**277 329**	**324 204**
EBIT adjusted annualised	5 813	17 394	7 931	15 102	13 917
ROCE adjusted	**1 %**	**6 %**	**2 %**	**5 %**	**4 %**