Klaveness Combination Carriers

Klaveness Combination Carriers
Quarterly report
Q4 2019

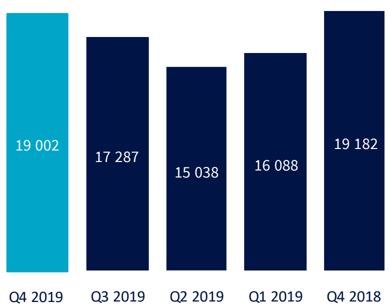
HIGHLIGHTS

- EBT for Q4 2019 ended at USD 1.7 million, the best quarterly result since Q2 2018. KCC's full year result for 2019 ended at positive USD 0.6 million
- CABU TCE earnings ended on a strong note at $19,002/d in Q4 and full year TCE earnings for 2019 ended at $16,877/d, being 1.2 x average daily market earnings of standard MR-tankers in 2019 as reported by brokers. CLEANBU TCE earnings ended at $18,715/d in Q4 and full year TCE earnings for 2019 ended at $18,300/d, being in line with daily average market earnings of standard LR1-tankers in 2019. However, earnings for both the CABU and CLEANBU fleet is well above TCE earnings reported by standard product tanker peers
- The introduction of the CLEANBUs is progressing well with increasing number of customers, cargoes and terminals being serviced by these new vessels. Share of CLEANBU on-hire days in combination trading fell to 58 % in Q4 partly due to temporary effects
- 70% of the caustic soda volume for the CABUs have been secured for full year 2020 and 94% for first half 2020
- KCC issued a NOK 500 million bond in February 2020 with a margin of NIBOR + 4.75%, down 0.5% compared to the existing KCC03 bond
- KCC continues its policy of quarterly dividend payments and has announced dividend payments of USD 0.5 million (USD 0.01 per share) for Q4 2019

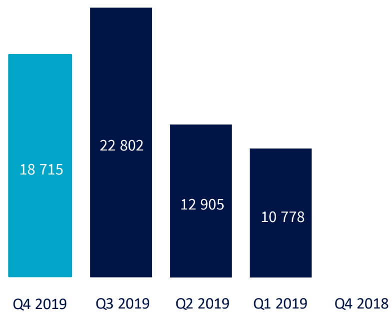
«We are pleased to report the best quarter since Q2 2018 with an increase in EBITDA of above 15% compared to third quarter and positive EBT of USD 1.7 million. The CABU fleet delivered strong TCE earnings of $19,002/d in fourth quarter bringing the full year 2019 TCE earnings to $16,877/d, 1.2 x earnings of standard MR-tankers. The phase-in of our new CLEANBU fleet continues to show good progress delivering continued strong earnings in combination trading of $22,130/day and with average TCE earnings of $18,300/day for full year 2019».

Engebret Dahm, CEO
Klaveness Combination Carriers ASA

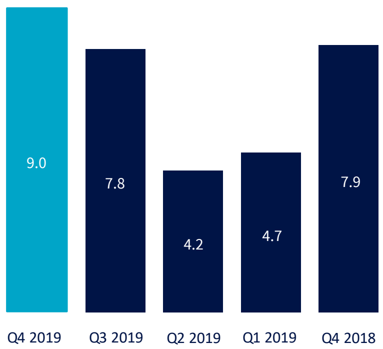
Average CABU TCE earnings ($/d)



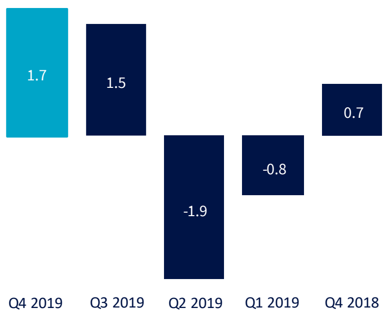
Average CLEANBU TCE earnings ($/d)



EBITDA (mUSD)



Profit/(loss) after tax (mUSD)



CONSOLIDATED FINANCIALS

Key Figures

(USD '000)	Q4 2019	Q4 2018	2019	2018
Net revenues from vessel operations	18 826	14 990	61 327	56 393
EBITDA (note 11)	9 038	7 914	25 763	30 757
EBITDA adjusted (note 11)	9 193	7 914	27 487	30 757
Profit/(loss) for the period	1 734	665	597	8 836
Earnings per share[1]	0.04	0.02	0.01	0.23
Total assets	459 262	333 859	-	-
Equity	213 878	178 086	-	-
Equity ratio	47 %	53 %	-	-
ROCE adjusted (note 11)	4 %	4 %	3 %	4 %

	Q4 2019	Q4 2018	2019	2018
Average TCE earnings (note 11)	18 941 $/d	19 180 $/d	17 060 $/d	17 397 $/d
Opex per day (note 11)	7 940 $/d	7 090 $/d	7 421 $/d	6 575 $/d
Onhire days	1 037	781	3 636	3 224
Off-hire days, scheduled	50	36	141	43
Off-hire days, unscheduled	17	6	85	18
% of days in main combination trades[2]	75 %	93 %	73 %	81 %
Utilisation[3]	91 %	92 %	91 %	96 %

FINANCIAL PERFORMANCE

FINANCIAL RESULTS FOURTH QUARTER 2019

Net revenues from operations of vessels were USD 18.8 million in Q4 2019, compared to USD 15.0 million in the same quarter last year primarily as a result of more vessels in operation. The average TCE earnings per on-hire day of $18,941/day is slightly lower than Q4 2018 ($19,180/day) mainly due to less combination trading for the CLEANBU vessels. The CLEANBU vessel, MV Baru, was off-hire 45 days due to scheduled guarantee work performed at the shipyard in China and one CABU finished periodic dry dock early October.

Operating expenses for the vessels increased from USD 5.9 million in Q4 2018 to USD 8.5 million in Q4 2019 due to delivery and introduction of the CLEANBU vessels. Opex of $6,975/day for the CABUs in Q4 was slightly lower than Q4 last year ($7,090/d). CLEANBU opex was $10,836/day in Q4, higher than last quarter caused by higher opex for MV Baru due to expensed repair costs made in parallel with the guarantee work and bunkers during off-hire. The third CLEANBU vessel, MV Barramundi, was delivered 20 September 2019, and opex in Q4 were impacted by start-up expenses of USD 0.2 million (bunkers and wages for crew prior delivery).

EBITDA for the period ended at USD 9.0 million up from USD 7.9 million in Q4 2018 and USD 7.8 million in Q3 2019.

Net result from financial items was negative USD 2.8 million in Q4 compared to negative USD 2.9 million for the same period last year. Interest expenses were USD 1.0 million higher in Q4 2019 compared to Q4 2018 due to higher interest-bearing debt following the delivery of the CLEANBU vessels, however, while the non-cash fair value changes of derivatives (mainly interest rate swaps) were close to zero in Q4 2019, the same quarter last year had negative fair value changes of USD 1.1 million.

Net profit after tax for Q4 ended at USD 1.7 million compared to USD 0.7 million for the same period last year and up from USD 1.5 million in Q3 2019.

FINANCIAL RESULTS 2019

For 2019, profit for the year ended positive USD 0.6 million, down from USD 8.8 million in 2018. 2019 was impacted by introduction of the CLEANBU vessels and negative non-cash fair value changes of derivatives (mainly interest rate swaps), while the latter effect was positive for 2018. The average TCE earnings per on-hire day of $17,059/day for the fleet ended slightly lower than last year ($17,397/day).

With delivery of three new CLEANBU vessels during 2019, vessel operating expenses increased from USD 21.6 million in 2018 to USD 29.9 million in 2019, including USD 1.7 million in pre-delivery costs for the newbuildings. Administrative costs for 2019 were up USD 1.6 million compared to 2018 and includes USD 0.6 million in costs related to the successful private placement and listing process completed in May 2019.

Depreciation was down from USD 16.8 million in 2018 to USD 14.1 million in 2019. Expected life of the CABU vessels was extended from 20 to 25 years in 2019.

Net result from financial items in 2019 ended at negative USD 11.1 million compared to negative USD 5.1 million in 2018. The increase is explained by increased net interest costs of USD 2.1 million following financing of the delivered CLEANBU vessels and negative non-cash effects from changes in fair value of derivatives of USD 2.6 million in 2019 compared to positive USD 1.1 million in 2018.

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

2 % of days in main combination trades = number of days in combi trade from Far East/Middle East to Australia, US Gulf to Brazil and Middle East/India to South America as a percentage of total onhire days.

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

THE CABU BUSINESS

(USD/day) / # of days	Q4 2019	Q4 2018	2019	2018
Average TCE earnings (note 2)	19 002 $/d	19 182 $/d	16 877 $/d	17 397 $/d
Opex per day (note 2)	6 975 $/d	7 090 $/d	6 800 $/d	6 575 $/d
Onhire days	819	781	3 171	3 224
Off-hire days, scheduled	4	36	96	43
Off-hire days, unscheduled	5	6	18	18
% of days in main combination trades[1]	80 %	93 %	74 %	81 %
Ballast days in % of total on-hire days	11 %	12 %	11 %	9 %
Utilisation[2]	96 %	92 %	94 %	96 %

The CABU vessels performed the strongest quarter since Q4 2018 and average TCE earnings per on-hire day ended at $19,002/day for Q4 2019 against $17,287 in Q3 2019. Relatively high caustic soda shipment volume and stronger net revenue for shipped caustic soda cargoes, partly impacted by a healthy tanker market, had positive effects. Higher cargo intake on caustic soda voyages in the Atlantic also contributed positively. A weaker dry bulk market development in Q4 2019, partly offset by gain on FFA hedges, had negative earnings effects.

Average TCE earnings for the CABU fleet for 2019 ended at $16,877/day, slightly below last year ($17,397/day), being 1.2x average daily market earnings of standard MR-tankers in 2019 as reported by brokers. The decrease in $/d and the lower TCE-earnings premium than historical averages (1.5-2.0) is mainly explained by less combination trading as a result of temporary lower caustic soda shipment volume for Alunorte in Brazil during first half 2019 and postponement of firm COA commitments into 2020 from one CSS customer in the Pacific. The lower caustic soda shipment volumes also negatively impacted the percentage share of days in the main CABU combination trades to Australia and Brazil being 80% in Q4 2019 and 74% for 2019 compared to 93% same quarter last year and 81% for 2018.

For 2019, opex per day ended at $6,800/day, up 3.4% from $6,575/day in 2018. Unscheduled off-hire was stable compared to 2018, while scheduled off-hire was higher in 2019 due to one more dry docking than the previous year.

THE CLEANBU BUSINESS

(USD/day) / # of days	Q4 2019	Q4 2018	2019	2018
Average TCE earnings (note 2)	18 715 $/d		18 300 $/d	
Opex per day (note 2)	10 836 $/d		10 751 $/d	
Onhire days	218		465	
Off-hire days, scheduled	45		45	
Off-hire days, unscheduled	13		69	
% of days in main combination trades[1]	58 %		61 %	
Ballast days in % of total on-hire days	13 %		21 %	
Utilisation[2]	77 %		78 %	

Average CLEANBU TCE earnings per on-hire day ended at $18,715/day for the quarter, down from $22,802/day last quarter mainly due to a lower share of the fleet trading in the targeted main combination trades. Two of three CLEANBUs were trading for most of the quarter in established well -paying long-haul combination trades, while one vessel was kept trading in less efficient tanker trades in the Pacific to expand customer and terminal acceptance and be in position to start up new combination trades. TCE earnings in the main combination trades remained healthy at around $22,150/day while TCE earnings for shipments outside combination trades were around $13,900/day, the latter negativelyimpacted by the positioning to and from shipyard for the guarantee docking of MV Baru.

Average TCE earnings for the CLEANBU fleet for 2019 ended at $18,300/day, being in line with daily market TCE earnings of standard LR1-tankers in 2019 as reported by brokers. Average TCE earnings in combi trades ended at $22,350/day for 2019, being 1.2x the daily TCE-earnings for LR1-tankers since the CLEANBUs commenced combi-trading in May 2019. TCE earnings premiums are lower than historical premiums for the CABU fleet (1.5-2.0) due to the less optimal trading following the ongoing phase-in of the vessels.

The phase-in of the CLEANBUs is progressing well. The three delivered CLEANBUs have since delivery in 2019 to date February 2020 successfully transported six different types of chemical/clean petroleum product cargoes for six customers to and from 20 terminals/moorings with cargo operations including ship-to-ship transfers, loading at single point mooring and co-mingling of cargoes.

Operating costs in fourth quarter increased partly due to costs connected to the guarantee docking of MV Baru recognized in the profit and loss statement. Start-up costs for the third CLEANBU vessel, MV Barramundi, were down compared to the first two vessels and ended at USD 0.3 million of which USD 0.2 million was charged in Q4 2019. The costs mainly consist of crew expenses prior delivery and bunkers cost before the vessel was ready for trading.

1 % of days in main combination trades = number of days in combination trade from Far East/Middle East to Australia, US Gulf to Brazil and Middle East/India to South America as a percentage of total on-hire days.

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

CAPITAL AND FINANCING

The equity ratio per end of fourth quarter was stable compared to third quarter at 47%, down from 53% at year-end 2018. Cash and cash equivalents were USD 57.1 million against USD 88.3 million as of 31 December 2018 and total assets were up from USD 333.9 million to USD 459.3 million. Delivery of the three CLEANBUs in 2019 impacts both the equity ratio, total assets and cash development.

Total interest-bearing debt ended at USD 222.3 million at the end of 2019, being quite stable compared to the end of third quarter and up from USD 146.1 million at year-end 2018, mainly due to drawdown on mortgage debt in relation to delivery of the CLEANBU newbuildings. Bank financing has been secured for all three CLEANBU newbuildings with delivery in 2020. Discussions with respect to financing of the two remaining newbuildings with delivery in 2021 have been initiated and indicative terms received are in line with existing bank debt. KCC issued a new unsecured bond of NOK 500 million (KCC04) in February 2020. Margin is down from NIBOR + 5.25% in KCC03 to NIBOR + 4.75%. Simultaneously, NOK 138 million of the KCC03 bond was repurchased and the remaining NOK 162 million will be repaid at the latest on the final maturity date in May 2021.

Net cash flow from operating activities was USD 14.8 million in Q4 both due to positive EBITDA and positive changes in working capital. Net cash flow from investments in Q4 relates to dry dock costs of the CABU vessel, MV Banastar, and the CLEANBU vessel, MV Baru, yard installments and other costs related to the newbuilding program, in total negative USD 17.0 million. Net cash flow from financing activities was negative USD 7.4 million in Q4 2019 and mainly consists of debt repayment and interests. Net change in liquidity hence amounted to negative USD 9.6 million.

FLEET

The fleet consists of nine CABU and three CLEANBU combination carriers of which, MV Baru, was delivered in January 2019, MV Barracuda was delivered in July 2019 and MV Barramundi in September 2019 with another five CLEANBU vessels on order. KCC has five individual fixed price options with expiry in the period between May 2020 and January 2021 with scheduled delivery in the period November 2021 to November 2022.

The CABU vessels are combination carriers transporting mainly caustic soda solution and all types of dry cargo. The main trade lanes are 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 delivery of the next CLEANBU vessels will be delayed due to the ongoing Corona-virus outbreak in China, and the shipyard has declared a force majeure situation for delays caused by the virus outbreak. The shipyard has not yet restarted work after Chinese New Year following orders from Chinese Government, but activity at the shipyard is expected to resume over the coming weeks. Under this assumption we expect delivery of the fourth CLEANBU to be delayed until early May and the four subsequent CLEANBU newbuildings to be delayed 1-2 months from the contractual delivery dates in August 2020-February 2021.

MV Baru completed a scheduled guarantee docking in November resulting in 45 days off-hire. The second and third CLEANBUs, MV Barracuda and MV Barramundi, were off-hire in six and seven days respectively in Q4 due to scheduled upgrading and guarantee works. There are outstanding guarantee items relating to MV Barracuda and MV Barramundi implying additional off-hire and possibly related costs. MV Baru and the subsequent five newbuildings under construction have no similar issues. The repairs are targeted to be made during the first scheduled special survey in first half 2022, but may have to be made at an earlier date. These guarantee items are not linked to the combination carrier concept or trading capabilities of the vessels and are not expected to impact the vessels performance until being rectified.

One CABU vessel completed periodic drydocking in early October with installation of ballast water treatment system (BWTS). One additional CABU vessel completed periodic drydocking in July 2019. Four CABU vessels will go through periodic drydocking in 2020 and three out of the four vessels will install BWTS in 2020. Within year-end 2020 all of KCC's vessels will have BWTS installed.

All vessels switched to burning compliant low sulphur fuel (VLSFO) and were in compliance with the IMO2020 sulphur cap regulation well before the 1 January 2020 deadline. Except for some delivery delays, KCC has not had problems securing the necessary VLSFO for its fleet after implementation of the IMO2020 regulation. Main engine problems due to burning VLSFO is representing a new risk for KCC's fleet. KCC's vessels are mitigating this risk by making frequent tests to calibrate lubrification to the new fuel characteristics in close collaboration with main engine makers.

MARKET DEVELOPMENT

Earnings of KCC's combination carriers are driven by the dry bulk, tanker and fuel markets. KCC is mainly influenced by the standard MR- and LR-product tankers and panamax/kamsarmax dry bulk markets as the capabilities of KCC's vessels correspond to these standard vessels. Due to the significantly lower ballasting of KCC's combination vessels compared to the standard vessels, KCC's earnings are also positively impacted by increasing fuel costs. Market freight rates in both dry and tanker markets incorporate the cost of extensive ballasting which KCC's vessels to a large degree avoid.

Average dry bulk freight rates in Q4 2019 ended down compared to the previous quarter. Panamax (P5TC) rates decreased from $17,200/day on average in Q3 to $12,700/day on average in Q4. Demand held up well in the fourth quarter, but the average sailing distances decreased, mainly due to a slowdown in grain shipments from East Coast South America. The nominal total dry bulk fleet growth in Q4 of 3.4% was the highest since Q3 2017, but effective fleet growth was much lower due to off-hire related to scrubber installations. The curtailment on the supply side due to scrubber installations is expected to persist at similar levels through Q1-2020 and gradually decrease thereafter. Higher fuel prices due to IMO 2020 may lead to lower average sailing speeds which potentially can decrease effective fleet growth in 2020 to less than 1.0%.

2020 has started on a weak note with panamax rates averaging $6,400/day to date, as the Corona-virus in China has accelerated the seasonal decline in demand which coincides with seasonal high fleet growth. Assuming the Corona-virus situation in China will abate and be solved over the coming months, there are several drivers which can propel dry bulk freight rates higher. This includes expected increase in iron ore volumes from Brazil and Australia, increased coal shipments in the Pacific and potentially stronger growth in grain volumes if China fulfills the trade agreement .

The tanker market spiked in October 2019 due to the US imposed sanctions on a subsidiary of the Chinese shipping group COSCO. This created uncertainty and charterers shunned tankers owned by COSCO in fear of running afoul of US sanctions, creating a massive surge in both dirty and

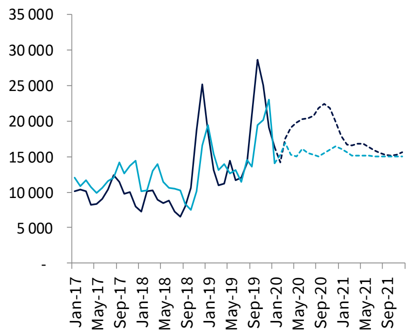
Freight rates for larger tankers have weakened in early 2020, bottoming out at around $7,000/day for both the LR1 and LR2 product tankers in mid-February, a normally seasonally weak period. The Corona-virus has reduced the global spot oil demand, "impacting" the market rates and sentiment negatively for the tankers. The forward market is pricing in a pickup in rates and expect the LR1 earnings to be back in the teens by the end of March and continue to increase for the rest of the year to high teens in Q4. The MR earnings have followed the development of the larger tankers but with far less volatility.

The effective supply in the tanker market is continuing to be curtailed by the scrubber installations, reducing the effective supply. The Corona-virus is also expected to affect the durations for such installations going forward with a large backlog at the Chinese repair yards. The product tanker fleet growth has also slowed down. According to Clarksons last four months deliveries per January 2020 is the lowest since January 2014. Clarksons expect around 5.7M Dwt to be delivered for full 2020 of an orderbook of total 10MDwt, where the MR fleet is representing about 70% of the capacity on order. Scrappings are expected to be around 1.7MDwt for 2020, with MRs also being the fleet with most scrapping candidates.

Analysts are expecting a solid 5-6% demand growth for product tankers in 2020, partly driven by the new IMO regulations. These expectations may be revised as the Corona-effect will likely have a negative impact. The period clean tanker TCE rates are currently around $16,000/day, $18,000/day and $23,000/day for MR, LR1 and LR2 respectively, levels slightly higher than the average 2019 12-month TCE levels.

Crude prices were supported by China/US trade deal and production cut agreement entered into between OPEC and Russia. In early January 2020, crude prices were trading at high $50/barrel, and closing the year at $67/barrel. In parallel the bunker market experienced tight availability going into 2020, with large geographical and product spreads. Singapore 0.5% fuel reached $650/mt the first weeks of 2020 giving a product spread of about $300/mt over HFO. Going into Chinese New Year and the Corona-virus outbreak, crude prices took a significant drop from mid $60s/barrel to mid $50s/barrel. Singapore VLSFO is currently trading just below $500/mt, $220/mt above the HFO prices.

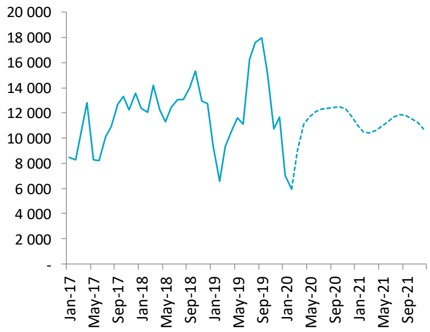
Fig. 1: Product tanker market



MR tanker Pacific trade (TC7 index)[2]

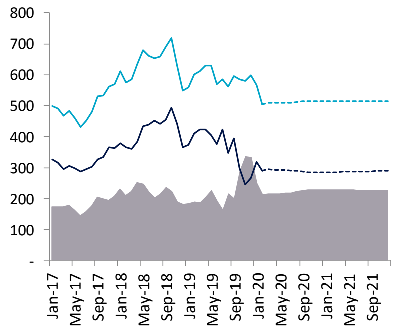
LR1 Triangle Trade (TC5 index)[1]

Fig. 2: Dry bulk market



Panamax dry bulk (P5TC)[2]

Fig. 3: Fuel market



MGO/HSFO Spread[3]

MGO[3]

HSFO[3]

HEALTH, SAFETY AND ENVIRONMENT

HEALTH AND SAFETY

Safety is KCC's priority number one and to the Board's satisfaction there were no major incidents in 2019 and there were no injuries or navigational incidents in Q4 2019. The five medium injuries in 2019 were accidents where the persons have returned to work after medical treatment and/or repatriation. The navigational incidents in 2019 were related to CABU vessels with no injuries to crew or damage to the vessels.

HEALTH & SAFETY KPI'S	Q4 2019	Q4 2018	2019	2018
# of medium* injuries	-	-	5	3
# of major** injuries	-	-	-	-
# of navigational incidents	-	-	3	-
# of spills to the environment	-	-	-	-

** Medium = Medical treatment and repatriation, will return to work*

***Major = Severe injury or death*

1 According to KCC triangular model with baltic exchange TC5 historical and FFA market levels.

2 TC7 and P5TC as per Baltic

3 Platts settled and futures curves

ENVIRONMENT — FUTURE BOUND

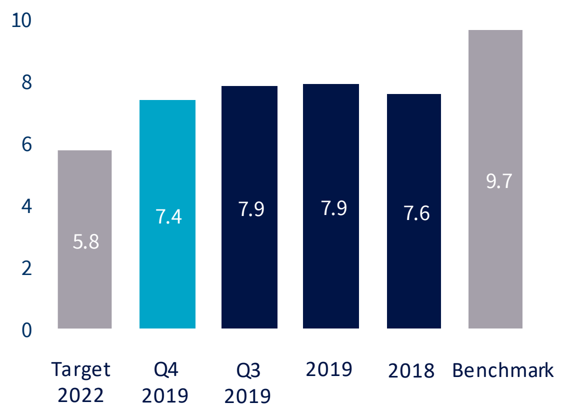
KCC is taking all possible technical and operational precautions to protect the environment and as a minimum complying with all requirements in the International Safety Management Code (ISM-code) and the MARPOL-convention.

KCC's combination carriers provide the most carbon efficient and environmentally friendly deep-sea transportation solution available today. Our vessels effectively combine wet and dry cargo, minimizing ballast to around 10% of the time, whilst regular tankers and dry bulk vessels typically ballast 30-45% of the time in the same trading patterns. This gives up to 40% reduction in CO_2 emissions for the same transport work, when performed by KCC's combination carriers.

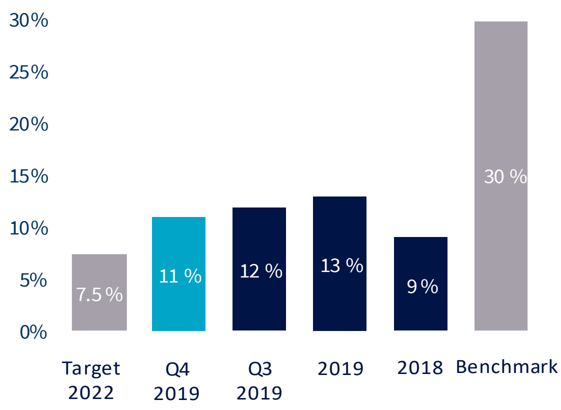
KCC has set ambitious targets for further decarbonizing its business and to substantially exceed the 2030 and 2050 targets set by IMO for the shipping industry. In its environmental strategy, KCC aims to reach a carbon neutral operation within 2030 and a zero-emission operation within 2050. The environmental policy and strategy of KCC are further described on our homepage: https://www.combinationcarriers.com/environmental-strategy. Sustainability is an integrated part of our business and reporting, and KCC commits to full transparency on its environmental performance. KCC will on a quarterly basis continue to report on health/safety and environmental KPIs, and KCC will include sustainability reporting as part of the annual reports, first time in March 2020. In support of transparency, going forward KCC intends to obtain a third-party verification over its sustainability reporting on an annual basis.

KCC's environmental performance as expressed by its main environmental KPIs improved in Q4 2019 compared to Q3 2019 as a consequence of the delivery of one new and efficient CLEANBU vessel and satisfactory operational efficiency for the CABU vessels. The CO_2 emission per ton transported per nautical mile expressed through the Energy Efficiency Operational Indicator (EEOI) improved from 7.9 in Q3 2019 to 7.4 in Q4 2019. Ballast days in % of total on-hire days also continued to improve from 12% in Q3 2019 to 11% in Q4 2019 and the average CO_2 emission per vessel increased from 18,700 in Q3 2019 to 19,900 in Q4 2019. The EEOI and the % ballast days for calendar year 2019 were not as good as in 2018, mainly due to more CABUs trading in less efficient standard dry bulk trades due to lack of CSS contract volumes, especially during first half 2019. Average CO_2 emission per vessel, however, improved by 4% from around 20,800 mt to around 19,900 mt from 2018 to 2019.

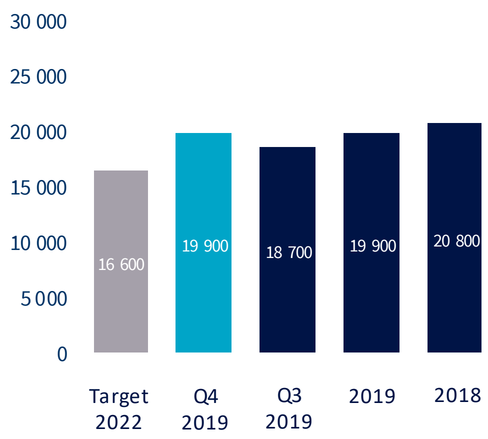
CO_2 emission per ton transported cargo per nautical mile (EEOI)[1,2]



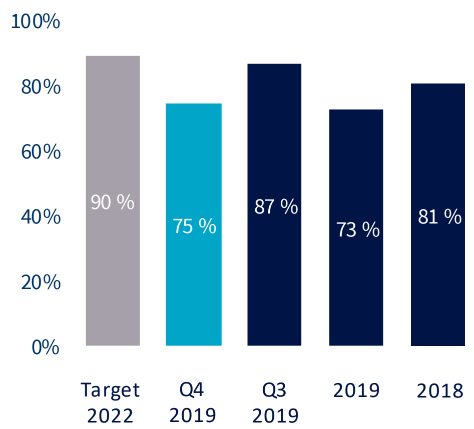
Ballast days in % of total on-hire days[2]



Average CO_2 emission per vessel[3]



% of days in main combination trades[4]



1 *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.*

2 *The EEOI and % ballast for "Benchmark standard vessels" are calculated based on standard vessels (Panamax dry, MR-tankers and LR1-tankers) making the same transportation work in the same trades as performed by KCC's CABU and CLEANBU vessels. The EEOI for "Benchmark standard vessels" is calculated as the weighted average of EEOI for the individual trades performed. End date of a voyage is decisive for periodisation of ballast days and CO2 emission (EEOI).*

3 *The average CO2 emissions per vessel is calculated based on the total CO2 emissions for the fleet, divided on the number of ship years. Number of ship years is the total calendar time minus offhire time while new delivered vessels are counted from date of delivery. Quarterly figures (Q3 and Q4 2019) are annualized.*

4 *% of days in main combination trades = number of days in combi trade from Far East/Middle East to Australia, US Gulf to Brazil and Middle East/India to South America as a percentage of total onhire days.*

OUTLOOK AND SUBSEQUENT EVENTS

The situation related to the Corona-virus outbreak in China is uncertain. The outbreak negatively impacts demand in the dry bulk, tanker and fuel markets in general and freight rates/prices have weakened considerably in all markets since the start of January 2020. This will also impact KCC's earnings during first half 2020, although KCC's contract coverage and trading pattern make KCC more resilient to such demand shocks than most other players in the standard tanker and dry bulk market. When the Corona situation stabilizes and the Chinese economy restarts, all markets will likely recover. Both the tanker and dry bulk markets seem to have bottomed out in February 2020.

Despite negative effects from the Corona situation, KCC Q1 2020 earnings are expected to be in line with or better than Q4 2019 partly due to lagged effects from fixtures made before the Chinese New Year.

The caustic soda contract coverage for the CABU fleet is 94% for first half 2020. Alunorte has ramped up its production in Q4 2019 to 90% of nameplate capacity, resulting in full caustic soda volumes under KCC's contract with Alunorte. Caustic soda contract coverage for the CABU fleet for second half 2020 is currently limited to 44%, but based on expected contract renewals to be made during the spring of 2020, contract coverage for second half 2020 is expected to reach similar levels during first half of the year.

The earnings outlook for the CLEANBU fleet is positive based on good progress in the phase-in of the new vessels. The CLEANBU earnings are, however, dependent on continued successful trading of the CLEANBUs in efficient combination trades and continued improved technical performance. The CLEANBUs will to a larger extent than the CABUs trade spot in 2020 as combination trades are developed and the CLEANBU vessels prove performance and build track record. CLEANBU earnings will also in 2020 be negatively impacted by not fully optimal trading of one or more of the CLEANBUs as KCC focuses on expanding the number of customers and terminals, types of cargoes and trades. Operating and start-up costs for the CLEANBUs are expected to stabilize and be reduced during 2020, however, there will be costs related to the phase-in of the remaining five vessels.

The shipyard building the CLEANBUs has been closed after Chinese New Year as a consequence of the Corona situation, and it is still uncertain when the shipyard resumes full activity. This will delay delivery time for the fourth CLEANBU and is also likely to impact delivery of the additional four CLEANBU vessels under construction

Oslo, 24 February 2020

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		Year ended	
		Unaudited	Unaudited	Unaudited	Audited
USD'000	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Freight revenue	3	39 158	28 217	130 768	83 609
Charter hire revenue	3	2 168	1 377	5 752	18 215
Total revenues, vessels	3	**41 325**	**29 594**	**136 521**	**101 824**
Voyage expenses		(22 499)	(14 603)	(75 194)	(45 431)
Net revenues from operations of vessels		**18 826**	**14 990**	**61 327**	**56 393**
Operating expenses, vessels		(8 512)	(5 870)	(29 913)	(21 599)
Group commercial and administrative services	9	(1 027)	(1 025)	(4 396)	(3 618)
Tonnage tax		(65)	(15)	(163)	(119)
Other operating and administrative expenses		(183)	(166)	(1 093)	(300)
Operating profit before depreciation (EBITDA)		**9 038**	**7 914**	**25 763**	**30 757**
Ordinary depreciation	4	(4 530)	(4 457)	(14 070)	(16 841)
Operating profit after depreciation (EBIT)		**4 508**	**3 458**	**11 692**	**13 917**
Finance income	7	1 757	543	3 024	2 234
Finance costs	7	(4 516)	(3 395)	(14 105)	(7 374)
Profit before tax (EBT)		**1 749**	**607**	**612**	**8 777**
Income tax expenses		(15)	59	(15)	59
Profit after tax		**1 734**	**665**	**597**	**8 836**
Attributable to:					
Equity holders of the parent company		1 734	665	597	7 978
Non-controlling interests		-	-	-	858
Total		**1 734**	**665**	**597**	**8 836**
Earnings per Share (EPS):					
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		**0.04**	**0.02**	**0.01**	**0.23**

STATEMENT OF COMPREHENSIVE INCOME

USD '000	Quarter ended		Year ended	
	Unaudited	Unaudited	Unaudited	Audited
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Profit/ (loss) of the period	**1 734**	**665**	**597**	**8 836**
Other comprehensive income to be reclassified to profit or loss				
Net movement fair value on cross-currency interest rate swaps (CCIRS)	1 149	-	(1 438)	-
Reclassification to profit and loss (CCIRS)	(1 038)	-	1 347	-
Net movement fair value on interest rate swaps	79	(403)	(686)	368
Net movement fair value FX hedge	52	(37)	38	(35)
Net movement fair value bunker hedge	348	(2 180)	918	(918)
Net movement fair value FFA hedge	671	1 062	85	970
Net other comprehensive income to be reclassified to profit or loss	**1 261**	**(1 558)**	**265**	**385**
Other comprehensive income/(loss) for the period, net of tax	**1 261**	**(1 558)**	**265**	**385**
Total comprehensive income/(loss) for the period, net of tax	**2 995**	**(893)**	**862**	**9 221**
Attributable to:				
Equity holders of the parent company	2 995	(893)	862	8 029
Non-controlling interests	-	-	-	1 192
Total	**2 995**	**(893)**	**862**	**9 221**

STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 31 Dec 2019	Audited 31 Dec 2018
Non-current assets			
Deferred tax asset		-	15
Vessels	4	315 208	167 037
Newbuilding contracts	5	62 316	59 877
Right of-use assets	4	1 765	-
Long-term financial assets	6	202	1 855
Total non-current assets		**379 490**	**228 786**
Current assets			
Short-term financial assets	6	1 077	464
Inventories		7 163	5 883
Trade receivables and other current assets		14 313	9 870
Short-term receivables from related parties		130	594
Cash and cash equivalents		57 089	88 263
Total current assets		**79 772**	**105 074**
TOTAL ASSETS		**459 262**	**333 859**

EQUITY AND LIABILITIES		Unaudited 31 Dec 2019	Audited 31 Dec 2018
Equity			
Share capital	8	5 725	4 863
Share premium		130 155	92 271
Other reserves		316	51
Retained earnings		77 681	80 901
Total equity		**213 878**	**178 086**
Non-current liabilities			
Mortgage debt	6	169 304	95 746
Long-term liabilities to related parties	6	-	36 000
Long-term financial liabilities	6	3 626	450
Long-term lease liabilities		1 395	-
Bond loan	6, 9	33 836	-
Total non-current liabilities		**208 161**	**132 196**
Current liabilities			
Short-term mortgage debt	6	17 367	12 200
Other interest bearing liabilities	6	1 835	2 172
Short-term financial liabilities	6	-	918
Short-term lease liabilities		407	-
Trade and other payables		16 841	7 601
Short-term debt to related parties		617	563
Tax liabilities		157	123
Total current liabilities		**37 223**	**23 577**
TOTAL EQUITY AND LIABILITIES		**459 262**	**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	-	-	-	597	**597**	-	**597**
Other comprehensive income for the period	-	-	265	-	**265**	-	**265**
Dividends	-	-	-	(3 820)	**(3 820)**	-	**(3 820)**
Capital increase (May 20, 2019)	862	37 884	-	-	**38 747**	-	**38 747**
Share option programme	-	-	-	3	**3**	-	**3**
Equity at 31 December 2019	**5 725**	**130 155**	**316**	**77 681**	**213 878**	**-**	**213 878**

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		Year ended	
		Unaudited	Unaudited	Unaudited	Audited
	Notes	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Profit before tax		1 749	607	612	8 777
Tonnage tax expensed		65	15	163	119
Ordinary depreciation	4	4 530	4 457	14 070	16 841
Amortization of upfront fees bank loans		130	83	373	228
Financial derivatives unrealised loss / gain (-)	6	(986)	1 182	3 681	(1 163)
Gain/loss on foreign exchange		998		(1 074)	
Interest income	7	(288)	(446)	(1 885)	(1 071)
Interest expenses	7	2 854	1 956	9 889	6 972
Taxes paid for the period		-	-	(46)	-
Change in current assets		(3 423)	975	(5 090)	(2 070)
Change in current liabilities		8 913	(463)	9 294	(1 782)
Interest received	7	288	446	1 885	1 071
A: Net cash flow from operating activities		**14 831**	**8 812**	**31 873**	**27 920**
		-			
Acquisition of tangible assets	4	(3 072)	(1 034)	(6 010)	(2 817)
Installments and other cost on newbuilding contracts	5	(13 950)	(5 713)	(158 285)	(22 126)
Acquisition of subsidiaries, net of cash		-	-	-	863
B: Net cash flow from investment activities		**(17 022)**	**(6 747)**	**(164 295)**	**(24 080)**
Proceeds from mortgage debt	6	-	3 000	93 000	3 000
Net proceeds from bond loan and settlement shareholder loan	6	-	-	(630)	-
Transaction costs on issuance of loans	6	(193)	-	(1 596)	-
Repayment of mortgage debt	6	(3 911)	(1 868)	(13 923)	(10 528)
Interest paid	7	(2 669)	(1 956)	(9 014)	(7 103)
Repayment of financial lease liabilities		(107)	-	(385)	-
Capital increase April 30, 2018		-	-	-	12 000
Capital increase October 10, 2018		-	43 991	-	45 000
Capital increase May 20, 2019		-	-	40 096	-
Transaction costs on capital increase		-	(581)	(2 147)	(581)
Acquisition of non-controlling interests		-	-	-	(622)
Group contribution		-	-	-	(9 958)
Dividends		(480)	-	(3 814)	-
Dividends to non-controlling interests		-	-	-	(495)
C: Net cash flow from financing activities		**(7 360)**	**42 586**	**101 587**	**30 713**
Net change in liquidity in the period (A + B + C)		**(9 551)**	**44 651**	**(30 836)**	**34 552**
Cash and cash equivalents at beginning of period*		64 805	41 439	86 090	51 538
Cash and cash equivalents at end of period*		55 254	86 090	55 254	86 090
Net change in cash and cash equivalents in the period		**(9 551)**	**44 651**	**(30 836)**	**34 552**

* Cash and cash equivalents include 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 and its subsidiaries (“The Group”) has its headquarter and registered office in Drammensveien 260, 0283 Oslo. The share is listed on Oslo Axess with ticker KCC.

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 has capacity to transport caustic soda (CSS), floating fertilizer (UAN) and molasses as well as all dry bulk commodities.

In addition, the Group has three CLEANBU vessels in operation and five CLEANBU newbuildings with estimated delivery between Q2-2020 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 European 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 POLICIES

Employee share option scheme

Employee share options are calculated at fair value at the time they are granted and charged to expense over the vesting period as payroll cost with a corresponding increase in equity. The market value of the employee share options are estimated based on the Black-Scholes-Merton model.

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, three CLEANBUs on water and five CLEANBUs on order with expected deliveries through 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 three CLEANBU vessels were delivered 10 January, 29 July and 20 September 2019.

Segment reporting includes financials for the two segments from delivery of the first CLEANBU vessel in 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 Q4 2019 (USD'000)	CABU	CLEANBU	Total
Operating revenue, vessels	34 869	6 456	41 325
Voyage expenses	(19 463)	(3 036)	(22 499)
Net revenue	**15 406**	**3 420**	**18 826**
Operating expenses, vessels	(5 397)	(3 115)	(8 512)
Group administrative services	(651)	(376)	(1 027)
Tonnage tax	(55)	(10)	(65)
Ordinary depreciation	(2 974)	(1 556)	(4 530)
Other operating and administrative expenses	(116)	(67)	(183)
Total operating expenses	**(9 194)**	**(5 124)**	**(14 317)**
Operating profit/EBIT	**6 212**	**(1 703)**	**4 508**

Reconciliation of average revenue per onhire day (TCE earnings USD/day) Q4 2019 (USD'000)	CABU	CLEANBU	Total
Net revenues from operations of vessels	15 406	3 420	18 826
IFRS 15 adjustment*	153	665	818
Net revenue ex IFRS adjustment	15 559	4 085	19 644
Onhire days	819	218	1 037
Average TCE earnings per onhire day ($/d)	**19 002**	**18 715**	**18 941**

Reconciliation of opex per day Q4 2019 (USD'000)	CABU	CLEANBU	Total
Operating expenses, vessels	5 397	3 115	8 512
Leasing cost previously presented as opex	93	31	124
Reversal provision	285	-	285
Start up cost CLEANBU vessels	-	(155)	(155)
Operating expenses, vessels adjusted	5 776	2 991	8 766
Operating days	828	276	1 104
Opex per day ($/d)	**6 975**	**10 836**	**7 940**

* IFRS 15 adjustment: Revenue recognized from load-to-discharge and not from discharge-to-discharge, resulting in higher volatility in revenues from month to month.

Operating income and operating expenses per segment Q4 2019 YTD (USD'000)	CABU	CLEANBU	Total
Operating revenue, vessels	123 445	13 077	136 521
Voyage expenses	(70 048)	(5 145)	(75 193)
Net revenue	**53 397**	**7 932**	**61 327**
Operating expenses, vessels	(21 681)	(8 231)	(29 913)
Group administrative services	(3 494)	(902)	(4 396)
Tonnage tax	(143)	(20)	(163)
Ordinary depreciation	(10 706)	(3 364)	(14 070)
Other operating and administrative expenses	(795)	(298)	(1 093)
Total operating expenses	**(36 820)**	**(12 815)**	**(49 635)**
Operating profit/EBIT	**16 577**	**(4 884)**	**11 692**

Reconciliation of average TCE earnings per onhire day Q4 2019 YTD (USD'000)	CABU	CLEANBU	Total
Net revenues from operations of vessels	53 397	7 932	61 329
Other revenue	-	15	15
IFRS 15 adjustment	123	557	680
Net revenue ex IFRS adjustment	53 520	8 504	62 024
Onhire days	3 171	465	3 636
Average TCE earnings per onhire day ($/d)	**16 877**	**18 300**	**17 060**

Reconciliation of opex per day Q4 2019 YTD (USD'000)	CABU	CLEANBU	Total
Operating expenses, vessels	21 681	8 231	29 913
Leasing cost previously presented as opex	372	72	445
Reversal provision	285	-	285
Start up cost CLEANBU vessels	-	(1 724)	(1 724)
Operating expenses, vessels adjusted	22 339	6 580	28 918
Operating days	3 285	612	3 897
Opex per day ($/d)	**6 800**	**10 751**	**7 421**

03 Revenue from contracts with customers

Disaggregated revenue information

The Group has income from COAs (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		Year ended	
Revenue types (USD'000)	Classification	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Revenue from COAs	Freight revenue	28 597	23 065	98 110	72 373
Revenue from spot voyages	Freight revenue	10 560	5 152	32 658	11 237
Revenue from TC contracts	Charter hire revenue	2 168	1 377	5 752	4 286
Revenue from TC contracts (KCC Chartering)	Charter hire revenue	-	-	-	13 253
Other revenue	Charter hire revenue	-	-	-	675
Total revenue, vessels		**41 325**	**29 594**	**136 521**	**101 824**

04 Vessels

Vessels (USD '000)	31 Dec 2019	31 Dec 2018
Cost price 1.1	330 218	326 129
Delivery of newbuildings	155 847	-
Adjustment acquisition value newbuildings delivered	-	2 515
Additions (mainly upgrading and docking of vessels)	6 010	1 574
Costprice end of period	**492 075**	**330 218**
Acc. Depreciation 1.1	163 181	146 341
Depreciation for the period	13 685	16 840
Acc. Depreciation end of period	**176 866**	**163 181**
Carrying amounts end of period*	**315 208**	**167 037**
*carrying value of vessels includes dry-docking		
No. of vessels	12	9
Useful life	25	20
Depreciation schedule	Straight-line	Straight-line

ADDITIONS

MV Banastar and MV Barcarena have performed docking during 2019. Capitalized amount of the docking program was USD 4.8 millions, of which USD 1.4 million was paid in Q4. Additions of 0.9 million have been capitalized on the CLEANBU's after delivery of which USD 0.9 million in Q4.

IMPAIRMENT ASSESSMENT

As per 31 December 2019, no impairment indicators are identified.

Right-of-use assets (USD '000)	31 Dec 2019	31 Dec 2018
Cost price 1.1	1 693	-
Addition of right-of-use assets	546	-
Disposals	(89)	
Costprice end of period	**2 150**	**-**
Acc. Depreciation 1.1	-	-
Depreciation	385	-
Acc. Depreciation end of period	**385**	**-**
Carrying amounts end of period	**1 765**	**-**

The Group adopted IFRS 16, Leases, with effect 1 January 2019. The new standard was applied using the modified retrospectivemethod, 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 five combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in the period 2020-2021. The contracts include options for further five vessels.

Bank loans have been secured for the first three newbuildings with delivery in 2020 (note 6), and indicative terms have been received for bank debt related to the two newbuildings with delivery in 2021.

(USD '000)	31 Dec 2019	31 Dec 2018
Cost 1.1	59 877	37 751
Borrowing cost	1 302	867
Yard installments paid	148 170	19 151
Other capitalized cost	8 813	2 108
Delivery of newbuilings	(155 847)	-
Net carrying amount	**62 316**	**59 877**

CAPITAL COMMITMENT

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

Remaining installments at 31 December 2019 (USD '000)	2020	2021	Total
Combination carriers	111 600	65 100	176 700
Total commitments newbuildings	**111 600**	**65 100**	**176 700**

06 Financial assets and liabilities

The below tables present the Group's financing arrangements as per 31 December 2019.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	86 563
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	100 878
SEB/SR-Bank/SPV Facility*	Term loan/RCF, USD 90.75 mill	LIBOR + 2.3 %	October 2025	-
Capitalized loan fees				(770)
Mortgage debt 31 December 2019				**186 670**

*Facility relates to financing of the three CLEANBU vessels with delivery in 2020

Bond loan (KCC03)	Face value NOK'000	Maturity	Carrying amount 31 Dec 2019 USD'000
Original loan amount	300 000	27.05.2021	35 370
Exchange rate adjustment			(1 347)
Capitalized expenses			(187)
Bond loan	**300 000**		**33 836**

(USD '000) Interest bearing liabilities	Fair value 31 Dec 2019	Carrying amount 31 Dec 2019	Carrying amount 31 Dec 2018
Mortgage debt	170 074	170 074	96 163
Capitalized loan fees	-	(770)	(417)
Intercompany interest bearing debt	-	-	36 000
Bond loan	34 438	34 023	-
Capitalized expenses bond loan	-	(187)	-
Total non-current interest bearing liabilties	**204 512**	**203 139**	**131 746**
Mortgage debt, current	17 367	17 367	12 200
Overdraft facility (Secured)	1 835	1 835	2 172
Total interest bearing liabilities	**223 714**	**222 341**	**146 118**

MATURITY PROFILE TO FINANCIAL LIABILITIES AT 31 DECEMBER 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 31 Dec 2019	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	25 184	102 651	81 043	-	208 879
Bond loan (incl interest)	2 464	36 218	-	-	38 681
Total	27 648	138 869	81 043	-	247 560

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

COVENANTS

As per 31 December 2019, the Group is in compliance with all financial covenants. On Group level financial covenants relate to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million). Financial covenants on KCC Shipowning Group level relate 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 include 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)	31 Dec 2019	31 Dec 2018
Financial instruments at fair value through OCI		
Interest rate swaps	-	322
Forward freight agreements	1 056	970
Financial instruments at fair value through P&L		
Forward freight agreements	21	-
Interest rate swaps	202	1 027
Financial assets	**1 279**	**2 319**
Current	1 077	464
Non-current	202	1 855

Financial liabilities (USD '000)	31 Dec 2019	31 Dec 2018
Financial instruments at fair value through OCI		
Cross-currency interest rate swap	91	-
Interest rate swaps	364	-
Fuel Hedge	-	918
FX Hedge (AUD/USD)	-	38
Financial instruments at fair value through P&L		
Interest rate swaps	1 825	412
Cross-currency interest swap	1 347	-
Financial liabilities	**3 626**	**1 368**
Current	-	918
Non-current	3 626	450

07 Financial items

(USD '000) Finance income	Quarter ended 31 Dec 2019	Quarter ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Interest received from related parties	-	114	-	114
Other interest income	288	331	1 885	927
Fair value changes interest rate swaps	1 469	-	-	1 163
Fair value changes in FFA	-	98	21	-
Gain on foreign exchange	-	-	1 074	-
Other financial income	-	-	43	-
Finance income	**1 757**	**543**	**3 024**	**2 234**

(USD '000) Finance cost	Quarter ended 31 Dec 2019	Quarter ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Interest paid to related parties*	-	642	202	1 605
Interest expenses mortgage debt	2 260	1 168	7 563	5 366
Interest expenses bond loan	594	-	2 124	-
Interest expenses bond loan	27	-	96	-
Amortization capitalized fees mortage debt	130	228	373	228
Other financial expenses	24	135	86	135
Fair value changes in FFA	483	-	-	-
Loss on foreign exchange	998	40	-	40
Fair value changes interest rate swaps	-	1 182	3 660	-
Finance cost	**4 516**	**3 395**	**14 105**	**7 374**

*Interests on shareholder loan settled in January 2019.

08 Share capital, shareholders, dividends and reserves

Dividends of USD 0.5 million were paid to the shareholders in November 2019. Dividends of in total USD 3.8 million have been paid to shareholders in 2019.

In December 2019, CEO Engebret Dahm and CFO Liv Hege Dyrnes were granted respectively 38 580 and 26 700 share options in Klaveness Combination Carriers ASA. Strike price is NOK 46.14 per share and the vesting period is 3 years with 1/3 vesting each year and all options expire after 5 years.

09 Transactions with related parties

USD'000	Quarter ended 31 Dec 2019	Quarter ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2018
G&A fee to Klaveness AS	559	540	2 238	1 966
Commercial management fee to Klaveness AS	407	290	1 628	1 349
Project management fee to Klaveness AS	-	-	-	107
Travel expenses and operating cost reinvoiced from Klaveness AS	60	195	530	195
Group commercial and administrative services	**1 027**	**1 025**	**4 396**	**3 618**

USD'000	Quarter ended 31 Dec 2019	Quarter ended 31 Dec 2018	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Technical management fee to KSM* (reported as part of opex)	725	588	2 735	2 099
Crewing agency fee to KSM* (reported as part of opex)	253	179	953	746
Supervision fee to Klaveness AS (capitalised on newbuildings)	442	504	2 075	1 937
Interest cost to related parties (Klaveness Ship Holding AS)	-	642	202	1 605
Interest income from related parties	-	-	-	144
Total other transactions with related parties	**1 420**	**1 914**	**5 965**	**6 531**

* KSM refers to Klaveness Ship Management AS

10 Events after the balance sheet date

On 30 January 2020, the company completed the placement of a new senior unsecured bond issue of NOK 500 million with maturitydate 11 February 2025. The bond carries a coupon of 3 months NIBOR + 475 bps p.a. with quarterly interest payments. 4/5 of the new bond loan (KCC04) was swapped to a USD obligation with fixed rate. In connection with the placement of the new bond issue, KCC repurchased NOK 138million of the KCC03 bonds.

In February 2020 KCC terminated the cross-currency interest rate swap agreement with Klaveness Ship Holding AS.

As per 1 February 2020, employment of key personnel was transferred from Klaveness AS to Klaveness Combination Carriers ASA.

Estimated delivery of the 4th CLEANBU vessel, MV Baleen, is moved from February 2020 to May 2020.

On 24 February 2020, the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of approx. USD 0.5 million (USD 0.01 per share).

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 December2019.

11 Reconciliation of alternative performance measures

Non-GAAP financial alternative performance measures (APM) that are used in the fourth quarter report are consistent with those used in the previously quarterly reports for Q2 og Q3 2019. Description and definitions of such measures can be found in Klaveness Combination Carriers 2nd quarter report 2019, Note 11 (page 23) which was published on the company's homepage: https://www.combinationcarriers.com/investor-relations/#reports-presentation.

Reconciliation of EBITDA and EBITDA adjusted	Quarter ended		Year ended	
USD'000	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net revenues from operations of vessels	**18 826**	**14 990**	**61 327**	**56 393**
Operating expenses, vessels	(8 512)	(5 870)	(29 913)	(21 599)
Group commercial and administrative services	(1 027)	(1 025)	(4 396)	(3 618)
Tonnage tax	(65)	(15)	(163)	(119)
Other operating and administrative expenses	(183)	(166)	(1 093)	(300)
EBITDA	**9 038**	**7 914**	**25 763**	**30 757**
Start up costs CLEANBU vessels	155	-	1 724	-
EBITDA adjusted	**9 193**	**7 914**	**27 487**	**30 757**
EBITDA	**9 038**	**7 914**	**25 763**	**30 757**
Depreciation	(4 530)	(4 457)	(14 070)	(16 841)
EBIT	**4 508**	**3 456**	**11 692**	**13 917**
Start up costs CLEANBU vessels	155	-	1 724	-
EBIT adjusted	**4 663**	**3 456**	**13 417**	**13 917**

Reconciliation of average revenue per onhire day (TCE earnings)	Quarter ended		Year ended	
USD'000	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net revenues from operations of vessels	18 826	14 990	61 327	56 393
Offhire compensation	-	-	15	(675)
IFRS 15 adjustment*	818	(2)	680	373
Net revenue ex IFRS adjustment	19 644	14 988	62 022	56 091
Onhire days	1 037	781	3 636	3 224
Average revenue per onhire days ($/d) (TCE earnings)	**18 941**	**19 180**	**17 060**	**17 397**

Reconciliation of opex per day	Quarter ended		Year ended	
USD'000	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Operating expenses, vessels	8 512	5 870	29 913	21 599
Leasing cost previously presented as opex	124	-	445	-
Reversal of provision	285	-	285	-
Start up costs CLEANBU vessels	(155)	-	(1 724)	-
Operating expenses, vessels adjusted	8 766	5 870	28 919	21 599
Operating days	1 104	828	3 897	3 285
Opex per day ($/d)	**7 940**	**7 090**	**7 421**	**6 575**

Reconciliation of total assets to capital employed and return on capital employed (ROCE) calculation.	Quarter ended		Year ended	
USD'000	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total assets	459 262	333 859	459 262	333 859
Total liabilities	245 384	155 773	245 384	155 773
Total equity	213 878	178 086	213 878	178 086
Total interest-bearing debt	222 341	146 118	222 341	146 118
Capital employed	**436 219**	**324 204**	**436 219**	**324 204**
EBIT adjusted annualised	18 653	13 823	13 417	13 917
ROCE adjusted	**4 %**	**4 %**	**3 %**	**4 %**

* IFRS 15 adjustment: Revenue recognized from load-to-discharge and not from discharge-to-discharge, resulting in higher volatility in revenues from month to month.