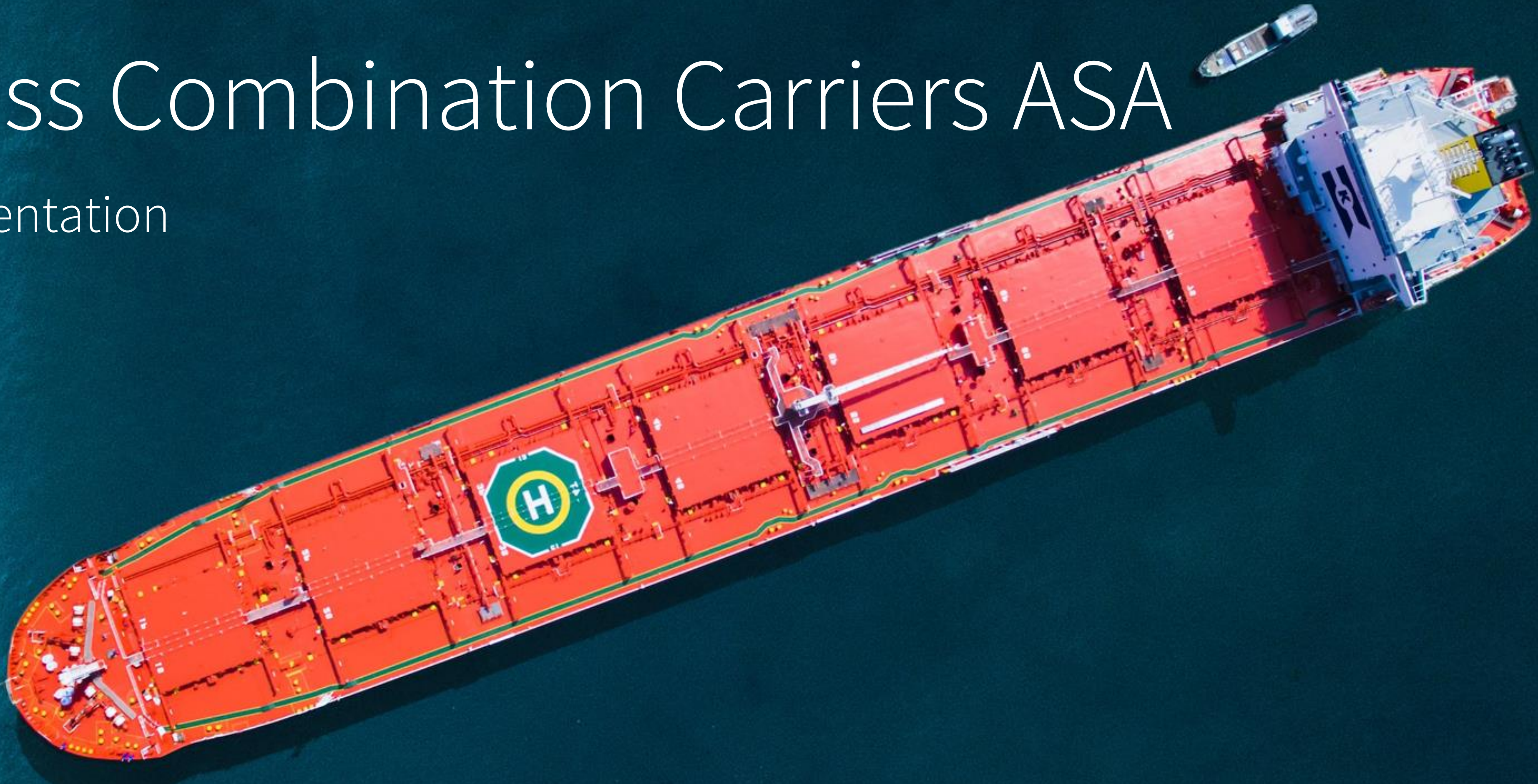
Klaveness Combination Carriers ASA

Company Presentation

May 2019



Klaveness Combination Carriers

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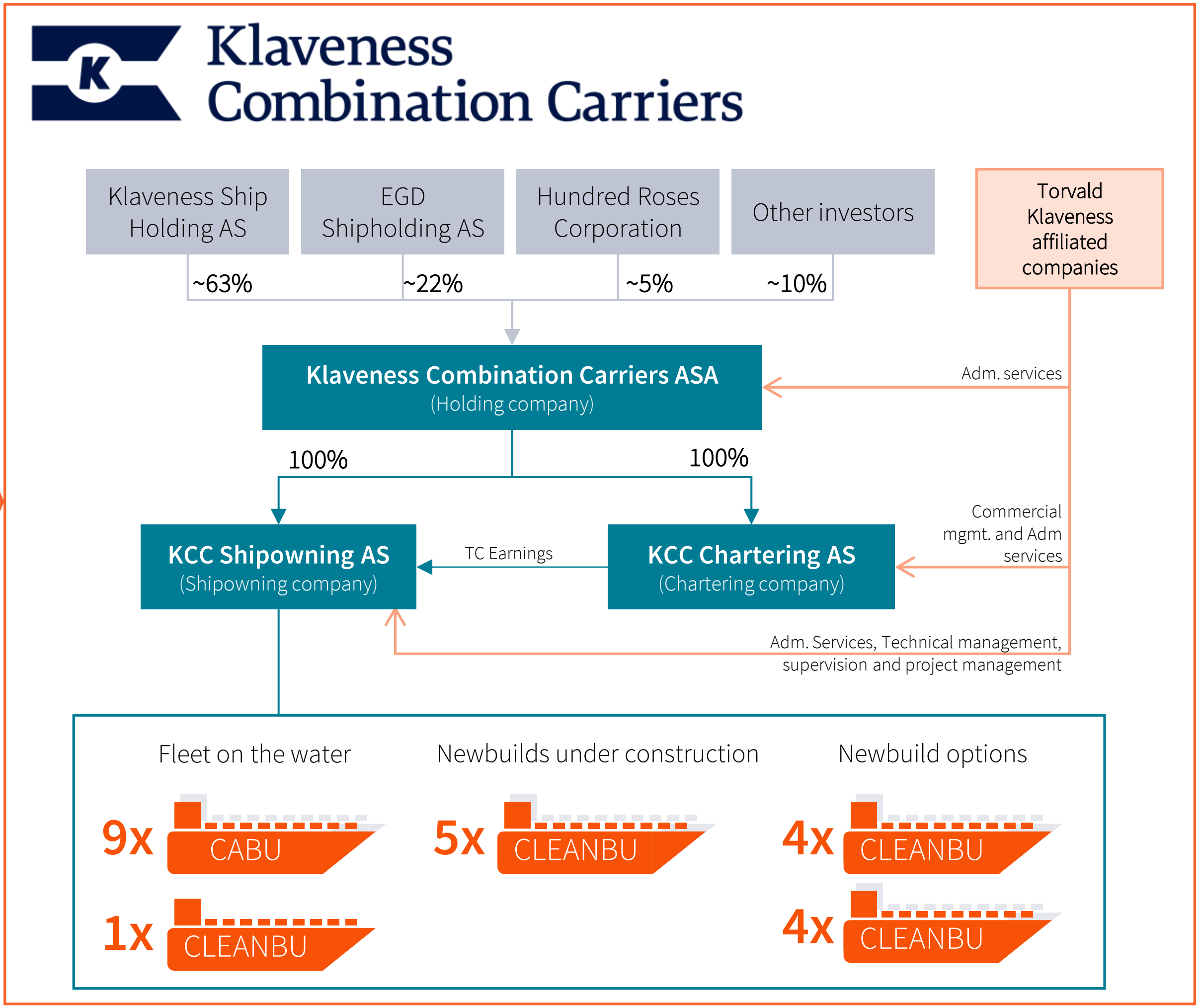
KCC and its combination carrier concepts

KCC and its combination carrier concepts

Torvald Klaveness & Klaveness Combination Carriers (KCC)

Torvald Klaveness' business segments

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

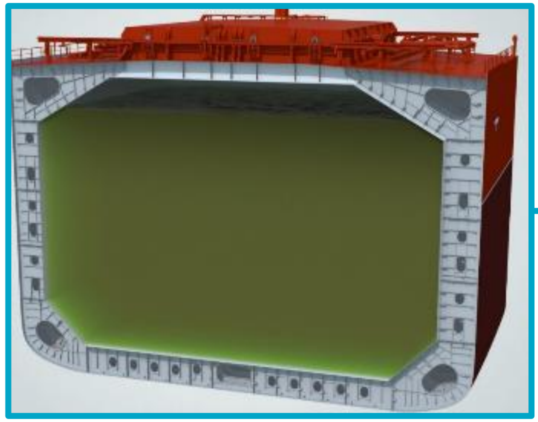


Note: Simplified orginazational chart, for illustration purposes only

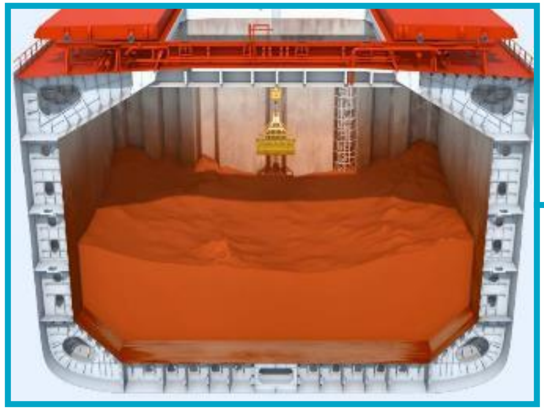
KCC and its combination carrier concepts

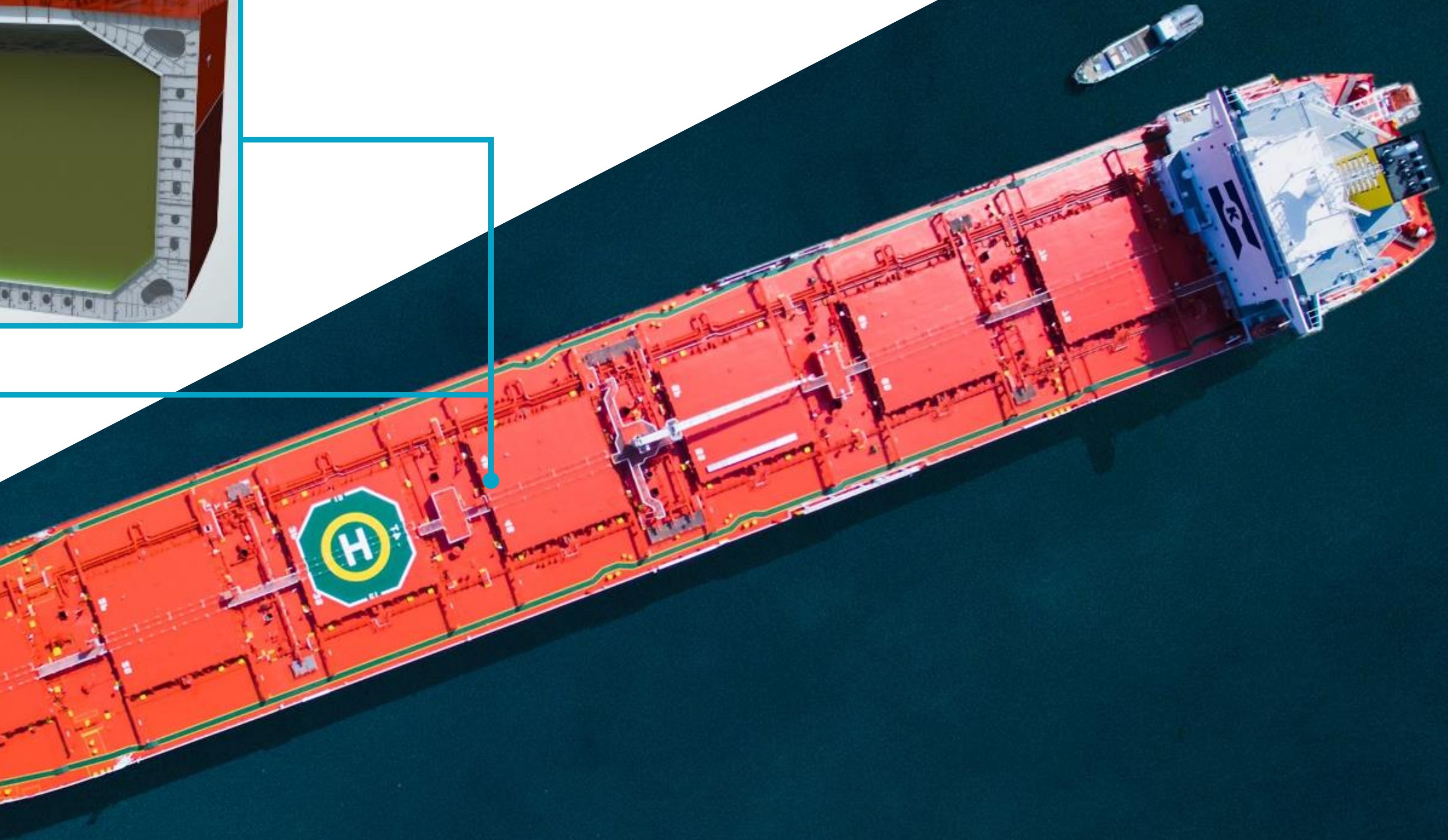
Own unique vessel designs

Wet cargo



Dry cargo

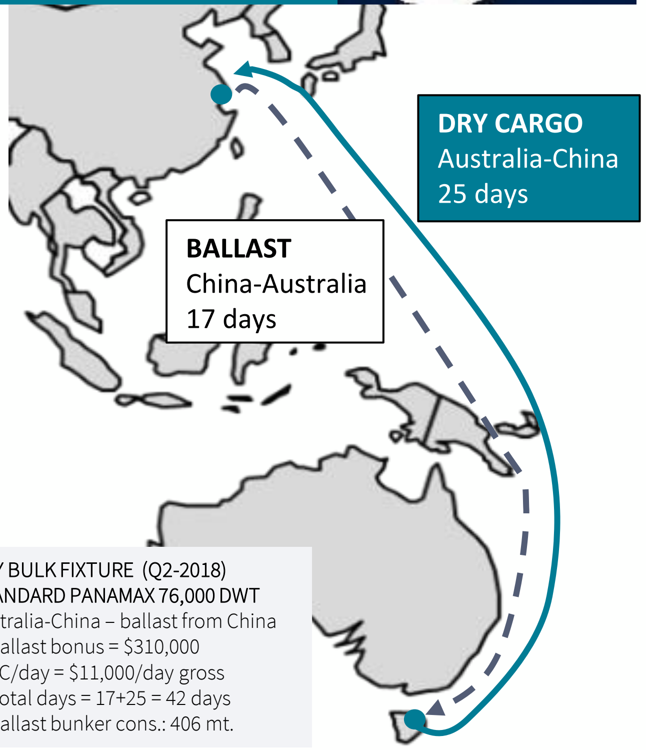




KCC and its combination carrier concepts

Unique commercial concept and trading pattern

Standard panamax bulk carriers

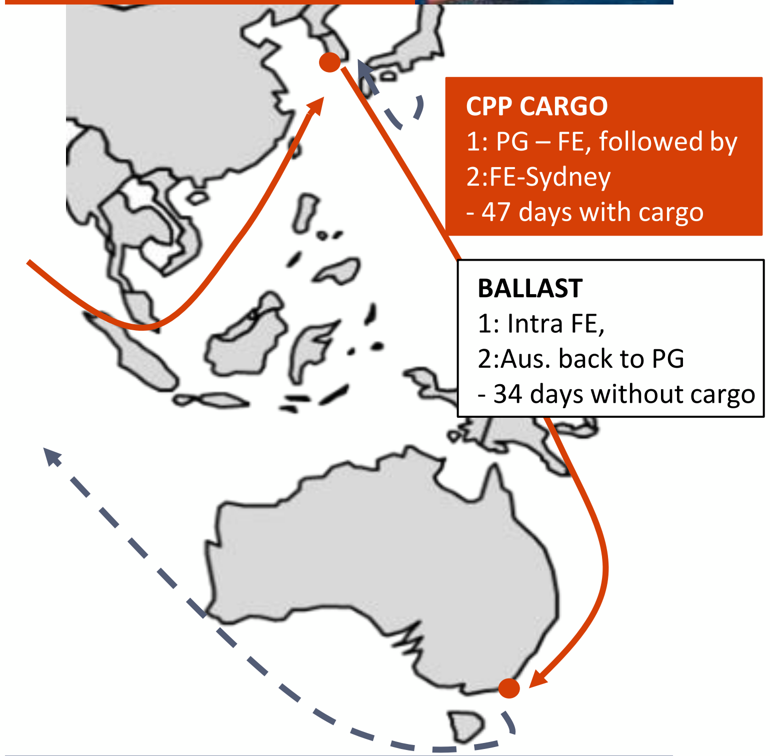


DRY BULK FIXTURE (Q2-2018)
STANDARD PANAMAX 76,000 DWT
Australia-China – ballast from China

- Ballast bonus = $310,000
- TC/day = $11,000/day gross
- Total days = 17+25 = 42 days
- Ballast bunker cons.: 406 mt.

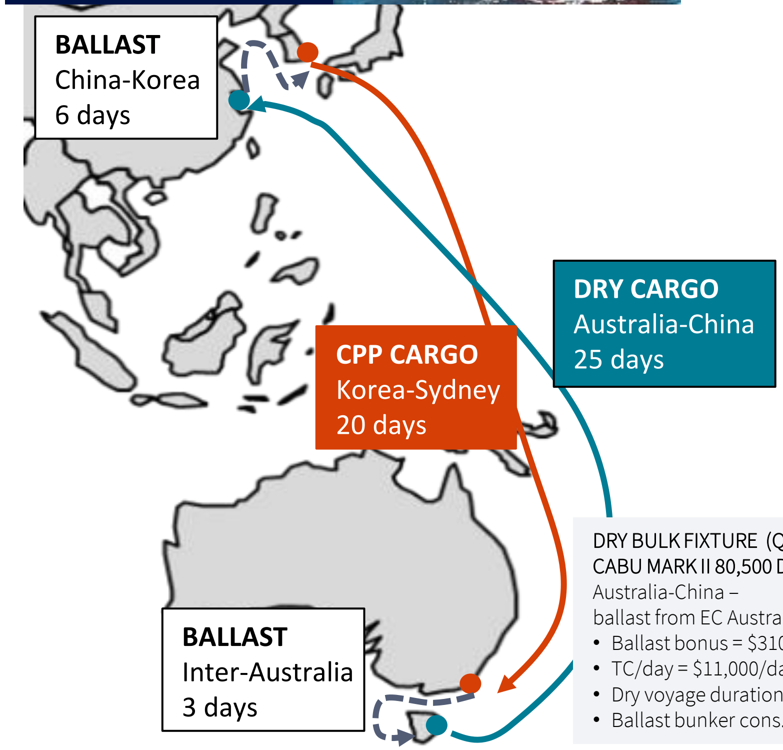
55% laden

Standard product tankers[1]



60% laden

KCC's combination carriers



DRY BULK FIXTURE (Q2-2018)
CABU MARK II 80,500 DWT
Australia-China –
ballast from EC Australia

- Ballast bonus = $310,000
- TC/day = $11,000/day gross
- Dry voyage duration=28 days
- Ballast bunker cons.= 60 mt

90-95% laden

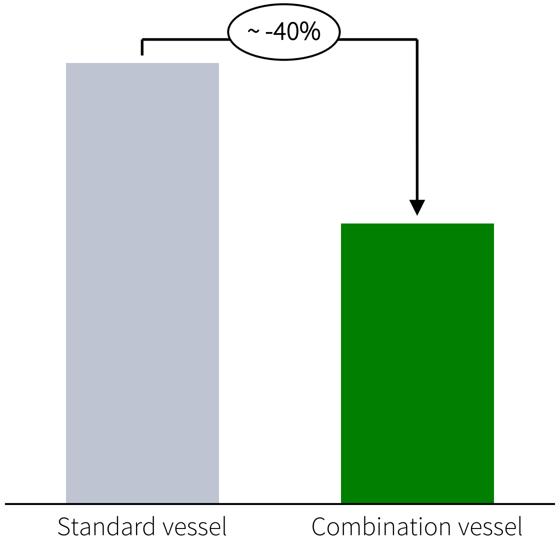
1) An LR1 tanker is likely to find triangular employment reducing the overall ballasting, thus performing a higher laden % compared to a Panamax dry bulk vessel

KCC and its combination carrier concepts

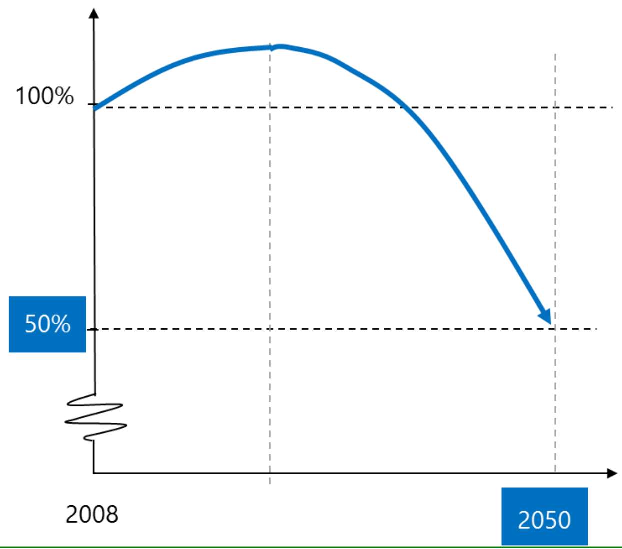
Substantially more energy efficient and substantially more environmentally friendly than standard vessels

Being around 40% more energy efficient and having around 40% lower carbon footprint than standard vessels in trade

Energy Efficiency Operational Index
(g CO_2 / tons * nm)



IMO target of a 50% reduction in GHG emission from shipping within 2050



Capitalizing on more expensive bunker fuels from 2020

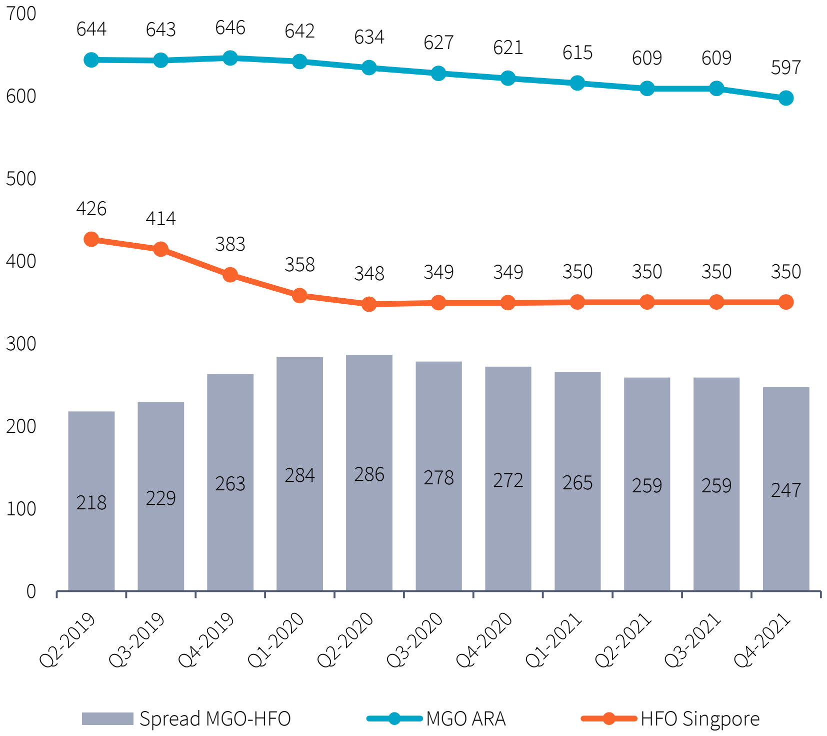
New IMO regulations in 2020…

- From January 1, 2020, the International Maritime Organization (IMO) has decided that the maximum allowed sulphur content in bunker fuel will be 0.5%. Currently, heavy fuel oil has an average sulphur content of 2.45% (and max 3.5%)
- The new IMO regulations will cause the majority of the world cargo fleet to switch out of high sulphur fuel oil (HFO) and into middle distillate gasoil (MGO/LSFO), creating an expected large spread between HFO and MGO/LSFO

…will create a larger spread between MGO and HFO…

Fuel prices

Forward fuel prices and spreads USD/mt[2]



…resulting in higher earnings for KCC

+/- $100

in bunker prices

+/- $1,000

TCE earnings per day for CABU & CLEANBU[1)]

Higher bunker prices lead to higher earnings for KCC's fleet as the value of KCC's operational efficiency increases as fuel costs increase

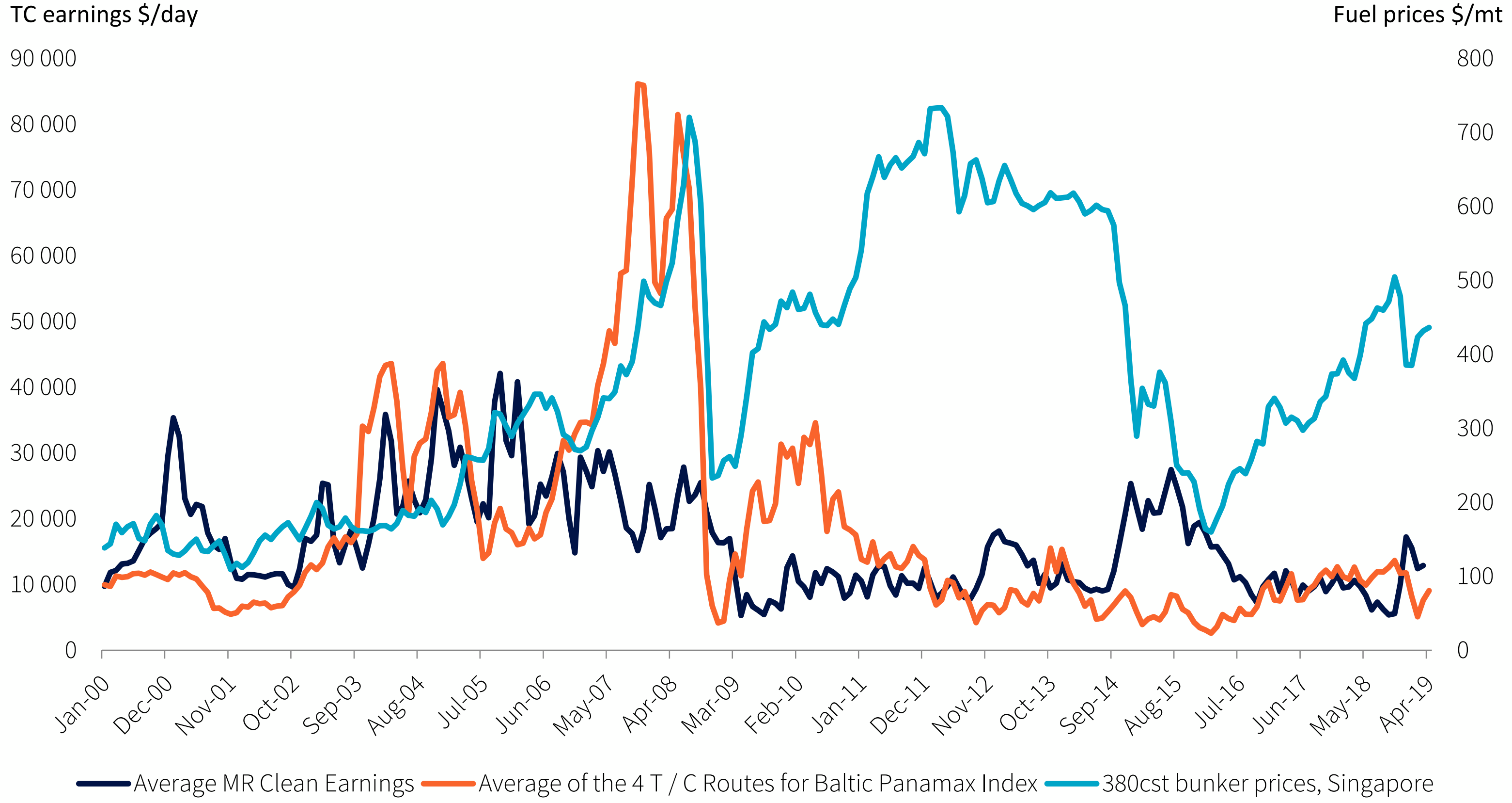
1) Bunker effect on earnings depend on contract portfolio and trading pattern. Effect estimated to be in the range of USD 600-1,200/day

2) Indicative prices – LS Gas Oil futures and Sing 380cst, Source: ICE, FIS

KCC and its combination carrier concepts

Earnings generated from 3 fairly uncorrelated markets

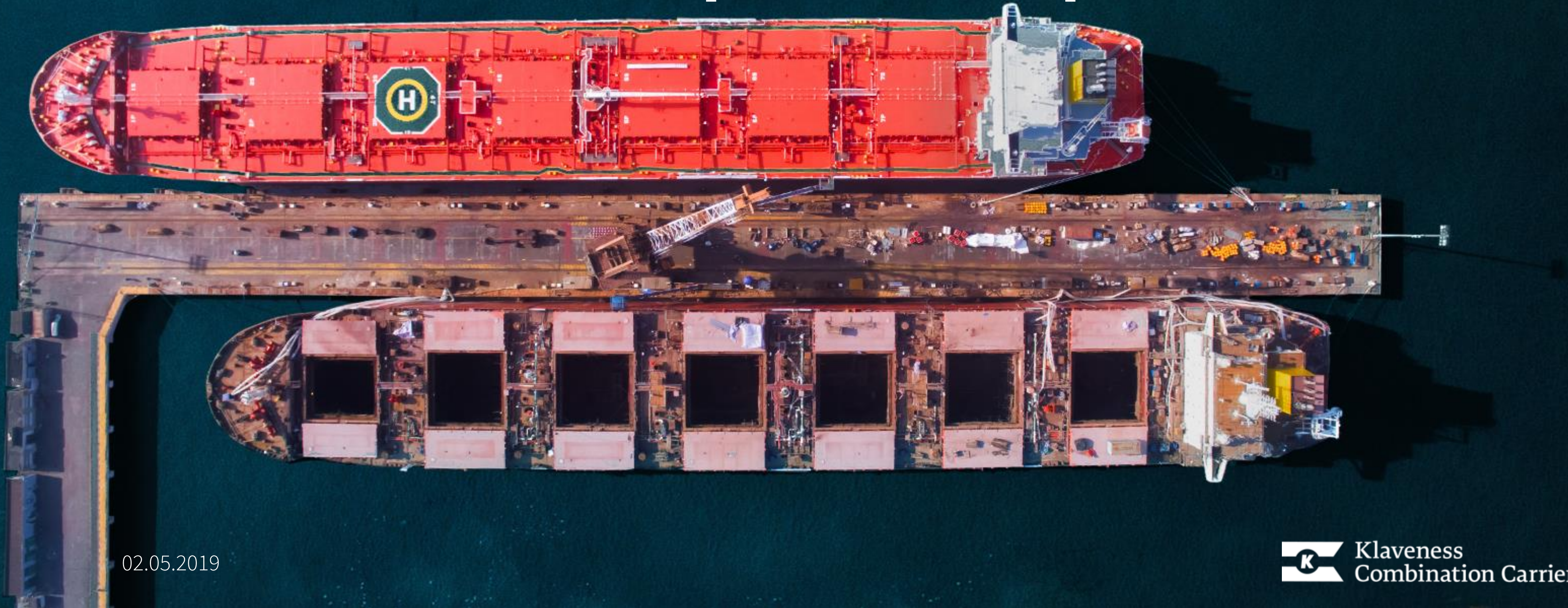
The long view (2000 – YTD 2019)[1]



- 3 volatile "commodity" markets impact KCC's earnings: the product tanker and dry bulk markets as well as the bunker fuel markets
- The value of fuel efficient combi-trading patterns varies with fuel costs, hence higher fuel prices are positive for KCC's earnings
- Correlation between the three markets has historically been limited

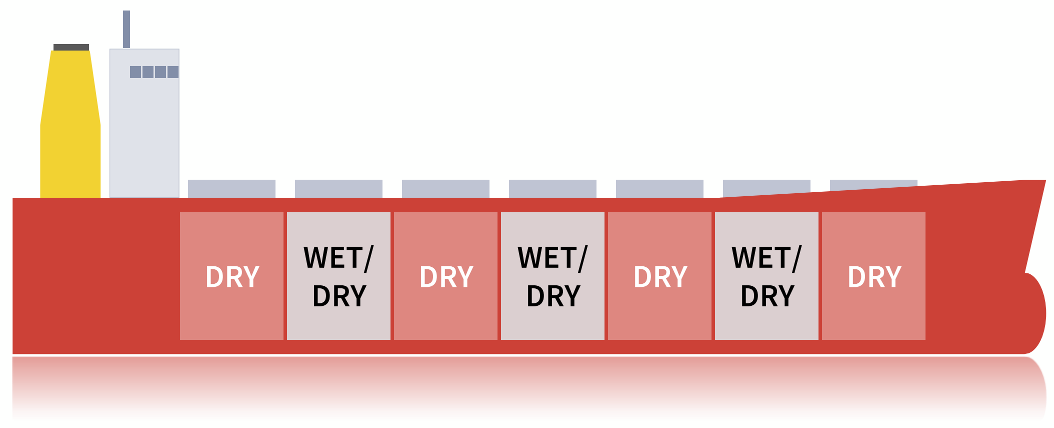
1) Source: Shipping Intelligence Network

CABU business – proven and profitable



CABU business – proven and profitable

Proven vessel concept with strong operational track record



- 9 CABU vessels on water built 2001-2017
- 72,500-80,400 Dwt. Equivalent carrying capacity of an MR product tanker in wet mode and a Panamax/ Kamsarmax bulker in dry mode
- Designed for transportation of Caustic soda solution (CSS), liquid fertilizer and molasses as well as all relevant dry-bulk commodities
- Expected useful life ~25 years

#	Name	DWT	Built	Age	Yard
1	**Banastar**	72,562	2001	18	Oshima, Japan
2	**Barcarena**	72,562	2001	18	Oshima, Japan
3	**Banasol**	72,562	2001	18	Oshima, Japan
4	**Bangor**	72,562	2002	17	Oshima, Japan
5	**Bantry**	72,456	2005	14	Oshima, Japan
6	**Bakkedal**	72,456	2007	12	Oshima, Japan
7	**Baffin**	80,235	2016	3	Ouhua Zheijang, China
8	**Balboa**	80,344	2016	3	Ouhua Zheijang, China
9	**Ballard**	80,236	2017	2	Ouhua Zheijang, China

CABU business – proven and profitable

Long term logistic provider for the aluminum industry - combining caustic soda and dry bulk

- Carries caustic soda (CSS) into alumina refineries in Australia and Brazil
- 90-95% match on inbound CSS and outbound dry bulk shipments
- Short- to long-term COAs with investment grade aluminum companies

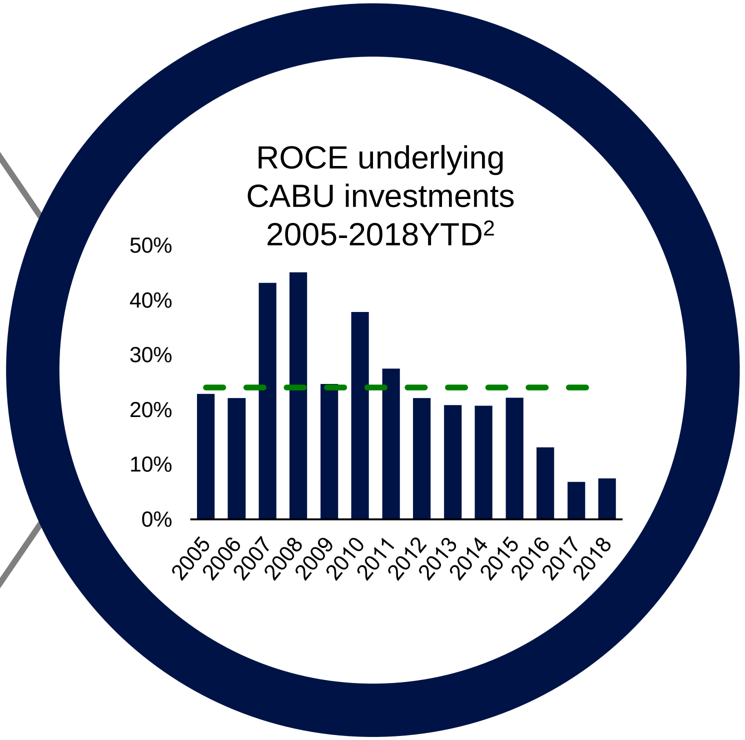
CABU trading pattern

ALCOA
SOUTH32
alba
RioTinto
Hydro

CABU business – proven and profitable

Substantial earnings premium compared to standard tonnage – superior returns

CABU historical TCE earnings vs standard tonnage[1]



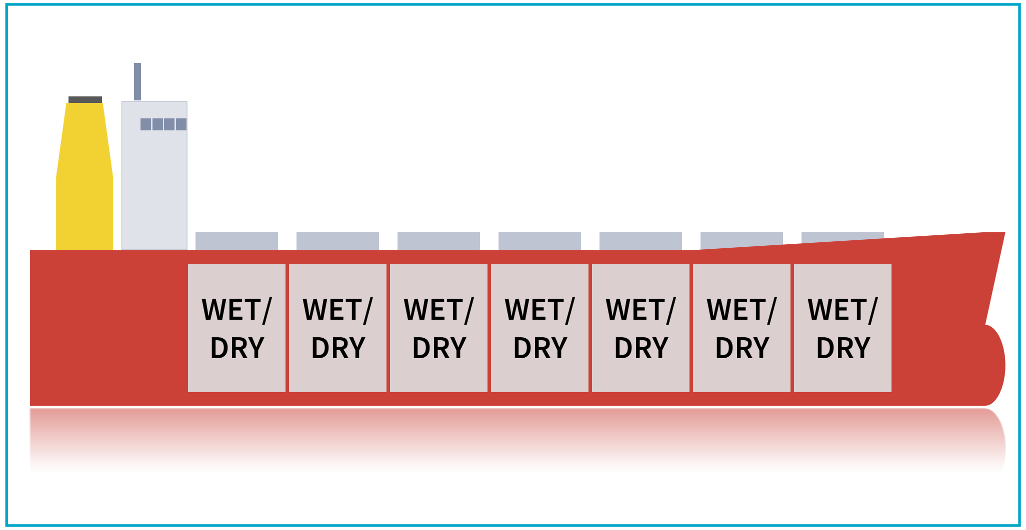
1) Average monthly earnings per on-hire day for the period 2005 to 2018. Gross of commissions and commercial management fees, Average of the 4 Spot Routes for Baltic Panamax Index (P4TC). Gross rate., Average MR Clean Earnings. Gross rate.

2) Average ROCE for five CABU ship owning SPCs in the period 2005 – 2017. 2018 ROCE based on KCC figures excluding newbuilds and cash. ROCE = EBIT/ (Average total asset less average current liabilities).

The CLEANBUs - the new combination carrier concept

The CLEANBUs - the new combination carrier concept

Building on the success of the CABUs



- 1 x CLEANBU vessel on water + 5 x newbuildings for delivery April 2019-October 2020 + 8 options
- 82,400-83,500[1] Dwt. Equivalent carrying capacity of a large LR1 product tanker in wet mode and a Kamsarmax bulker in dry mode
- Designed for transportation of Clean petroleum products (CPP), Caustic soda solution (CSS) as well as all nonhazardous dry-bulk commodities.

#	Name	DWT[1]	Built/delivery[2]	Age	Yard
1	**MV Baru**	82,425	2019	0	Jiangsu New YZJ, China
2	**MV Barracuda (H#1223)**	83,500	May 2019	0	Jiangsu New YZJ, China
3	**MV Barramundi (H#1224)**	83,500	July 2019	0	Jiangsu New YZJ, China
4	**MV Baleen (H#1226)**	83,500	Feb 2020	n.m.	Jiangsu New YZJ, China
5	**MV Bangus (H#1227)**	83,500	Aug 2020	n.m.	Jiangsu New YZJ, China
6	**MV Baiaco (H#1228)**	83,500	Oct 2020	n.m.	Jiangsu New YZJ, China
7	**Option # 1 (H#1229)**	83,500	Jan 2021	n.m.	Jiangsu New YZJ, China
8	**Option # 2 (H#1247)**	83,500	Feb 2021	n.m.	Jiangsu New YZJ, China
9	**Option # 3 (H#1225)**	83,500	Apr 2021	n.m.	Jiangsu New YZJ, China
10	**Option # 4 (H#1248)**	83,500	Aug 2021	n.m.	Jiangsu New YZJ, China
11-14	**Option # 5 – 8**	83,500	Exp. 2021/2022	n.m.	Jiangsu New YZJ, China

1) Estimate for newbuilds under construction. May deviate upon delivery
2) Built date reflects expected delivery date if the options are declared on time (see appendix for declaration dates of individual options).

The first CLEANBU has successfully completed its first cargo

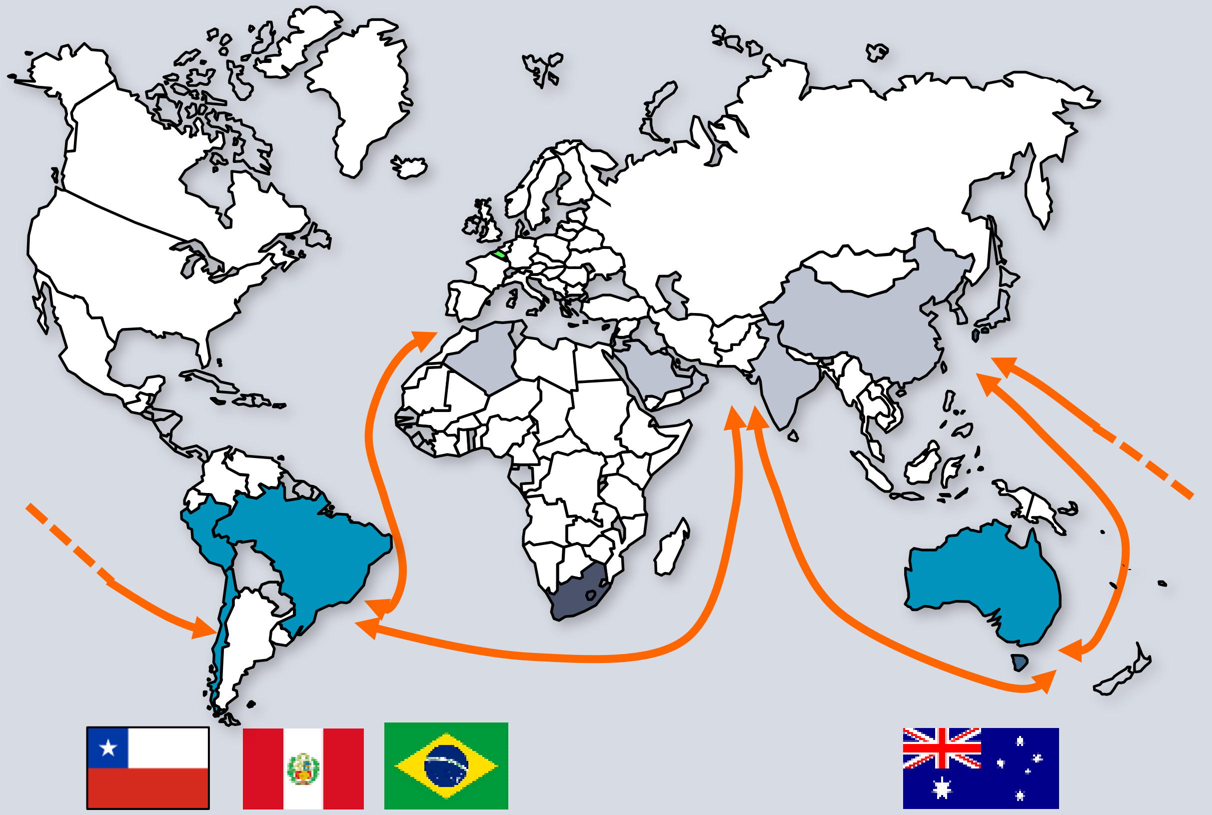
MV Baru in Bunbury, Australia discharging its first caustic soda cargo 9 February 2019

The CLEANBUs - the new combination carrier concept

Expanding the service into the petroleum and petrochemical industries by combining CPP and dry bulk

- Carries clean petroleum products (CPP) into dry bulk export hubs
- Matching inbound CPP and outbound dry bulk trades
- Large addressable market – 14 CLEANBUs = ~7-9% of CPP import in the first 4 target markets
- Starting service to Australia in June 2019 on the back of the concluded first CPP COA. Target expanding the service to Chile/Peru and Brazil in the period 2019-2021

Targeted CLEANBU trading pattern



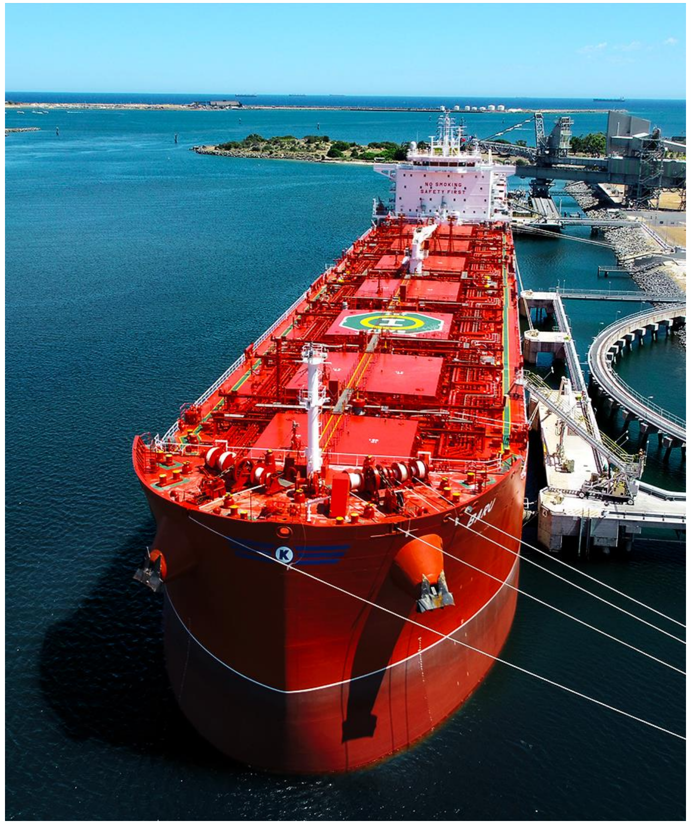
Klaveness Combination Carriers

The CLEANBUs - the new combination carrier concept

The CLEANBU project is well on track

Key milestones for the CLEANBU project

2015	☑	Design and order of 3xCLEANBUs
2018	☑	Declared options to build additional 3xCLEANBUs
2019	☑	January: Delivery of first CLEANBU vessel MV Baru
	☑	January/February: Loading/discharge of first CSS cargo on MV Baru
	☑	March: MV Baru at yard for guarantee works
	☑	April: Signing of first CPP COA for the CLEANBU fleet
	☐	May: Loading of first CPP cargo on MV Baru
	☐	May: Delivery and phase-in of MV Barracuda[1]
	☐	June: Loading of first CPP cargo under first CPP COA[1]
	☐	July: Delivery and phase-in of MV Barramundi[1]
	☐	August: Scheduled technical modifications on MV Baru at yard[1]
2020	☐	February: Delivery of CLEANBU #4[1]
	☐	August: Delivery of CLEANBU #5[1]
	☐	September: Delivery of CLEANBU #6[1]
2021-2022	☐	Delivery of further 8 optional vessels if declared

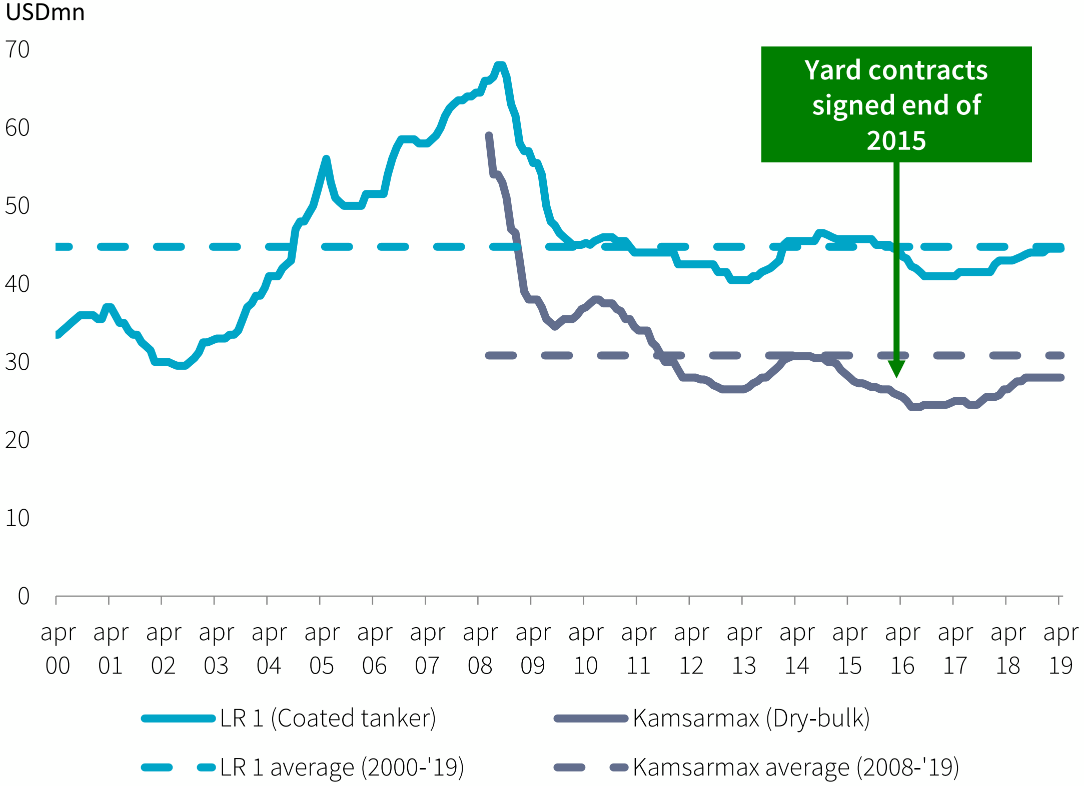


MV Baru during first discharge in Bunbury, W.Australia
February 2019

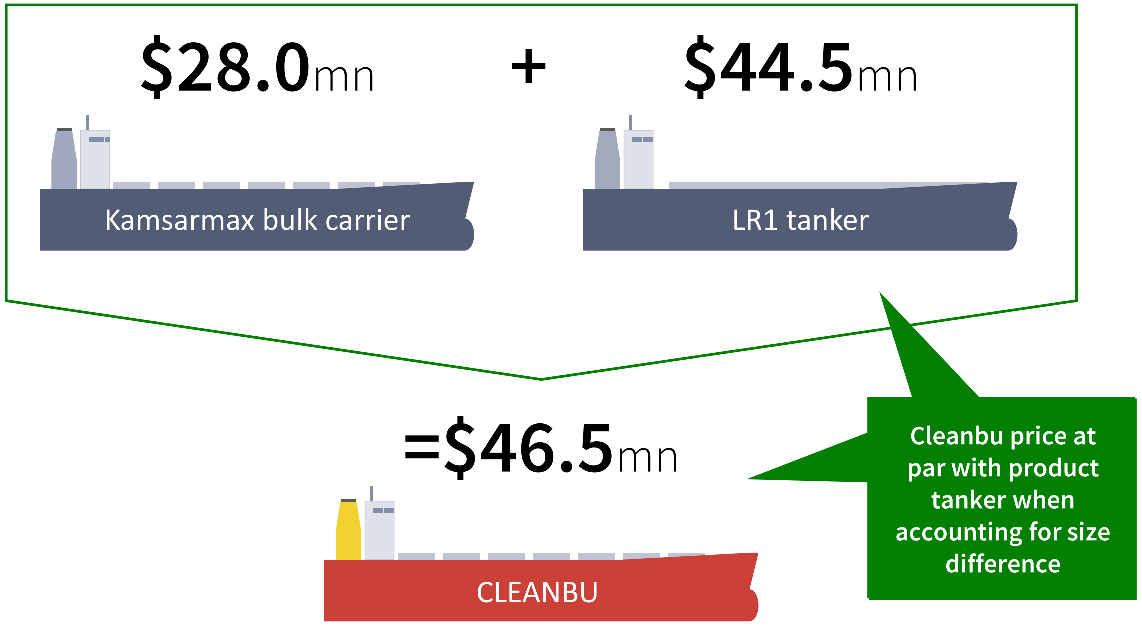
1) Planned/estimated dates

Historically low entry point and insignificant price difference compared to LR1 tanker

Contracted at 15 year low trough



Insignificant premium compared to price of LR1 tanker



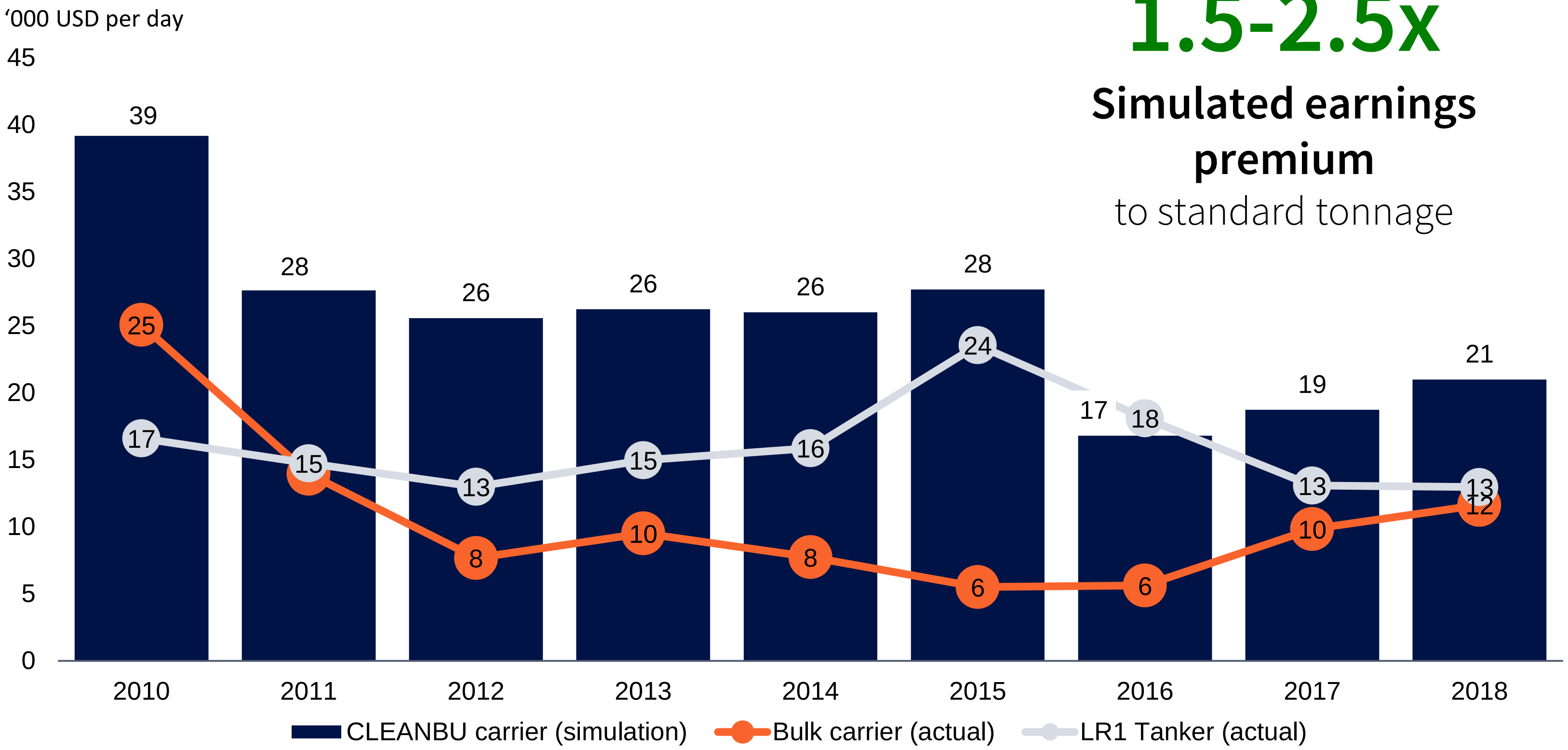
83,500 dwt – same capacity as a Kamsarmax bulk carrier
95,000 m^3 - +10% higher capacity than a standard LR1 tanker

A product tanker and a bulker at the cost of a product tanker

1) Source: Shipping Intelligence Network

CLEANBUs simulated to 1.5-2.5x premium to standard markets

CLEANBU historical run-rate TCE earning simulation vs achieved standard tonnage TCE[1]



1.5-2.5x

Simulated earnings premium

to standard tonnage

The simulation is intended as an illustration for the earnings potential of the CLEANBUs based on actual dry bulk, product tanker and bunker spot market conditions in the period 2010-2018 in target trades

1) Simulations for illustration purposes only. Simulated rates are gross of commercial management fee. Bulk carrier (actual) is the average of the 4 Spot Routes for Baltic Panamax Index (P4TC). Gross rate. LR1 Tanker is the average LR1 12 months T/C-rates. Gross rate.
2) Source: Company and Shipping Intelligence Network.

Investment considerations

Investment considerations

2018 Key figures KCC

Profitable

$ 8.8mn

Profit for the year 2018

~7.5%

CABU ROCE[1]

Strong balance sheet

53 %

Equity ratio

$ 223mn

Market capitalization[2]

Solid operating cash flow

$ 30.8mn

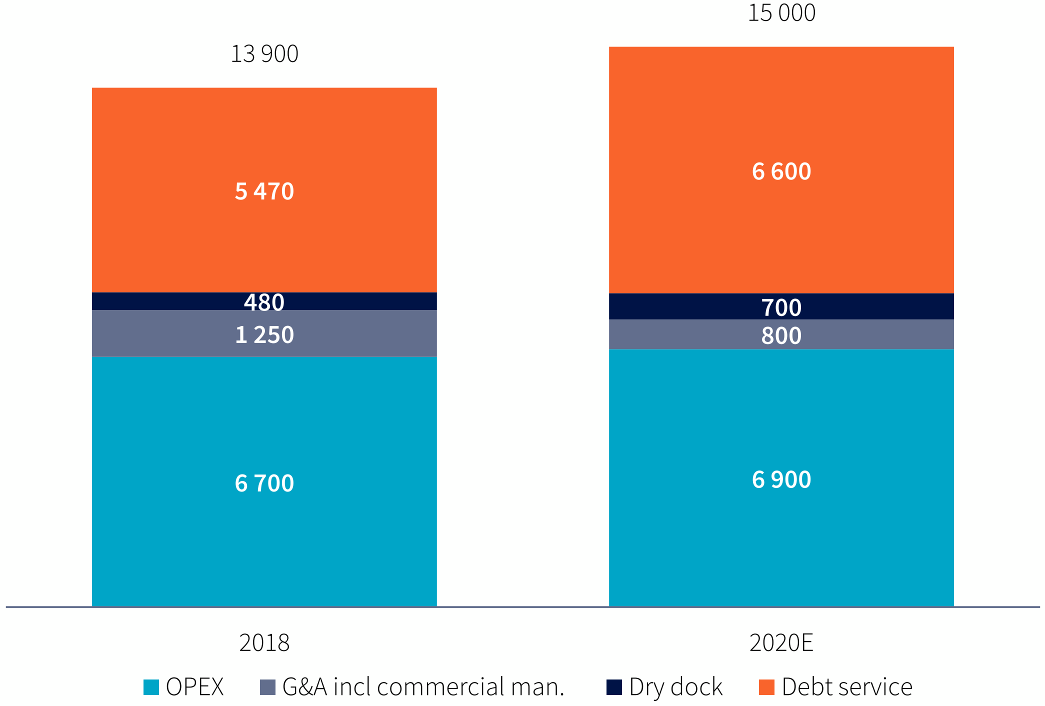
EBITDA

1) ROCE = EBIT/ (Average total asset less average current liabilities). Calculation excludes newbuilds and cash.
2) Market capitalization based on 40.5 million shares and issue price of NOK 47.50 converted to USD at USD/NOK rate of 8.62

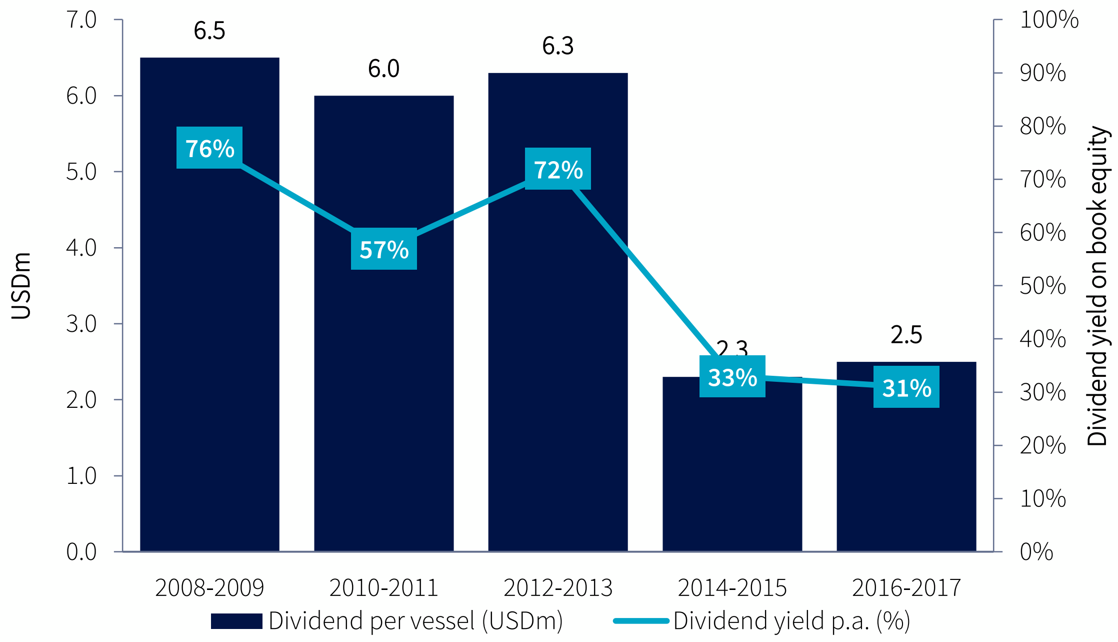
Investment considerations

Substantial dividend potential

Low estimated cash break-even rates[1]



Investor friendly dividend policy[2]



After the initial investment period, KCC intends to distribute a minimum 80% of operating cash flow less debt service and maintenance CAPEX as dividends

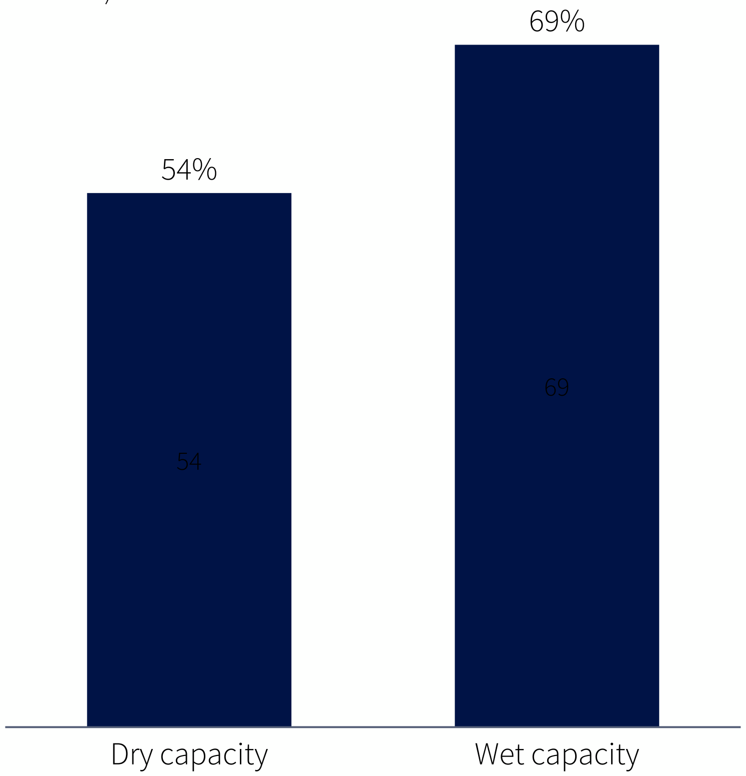
1) Illustrative. 2020 cash BE rates include estimates for OPEX, G&A included commercial management, period dry docking costs and debt service.
2) Period average of five CABU ship owning SPCs annual average dividend yield in the period 2005 – 2016 and average of six CABU ship owning SPCs annual average dividend yield of 2017. Dividend yield = Dividends/ (Average book equity)

Investment considerations

Contract coverage in 2019

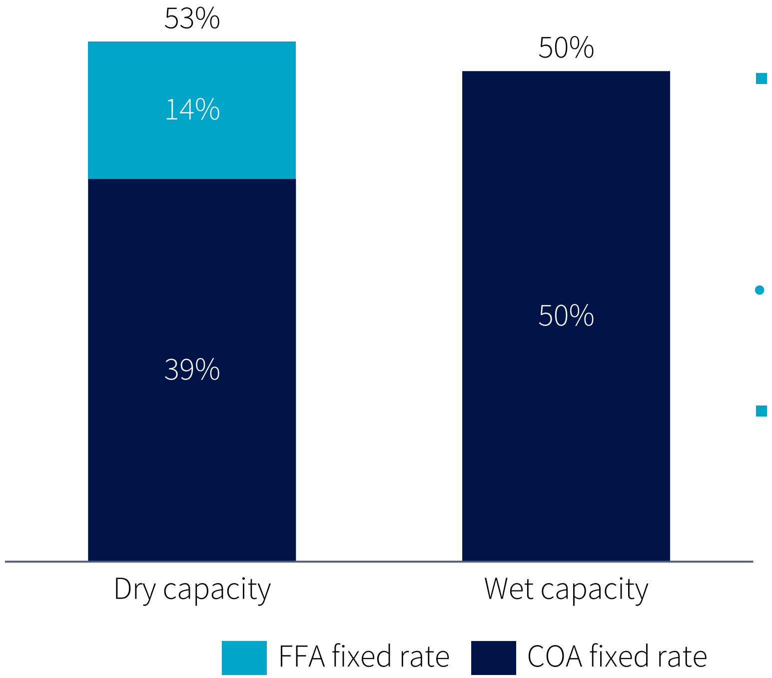
Volume coverage

Share of estimated total fleet carrying capacity (i.e. volume) booked for rest of 2019[1, 2]



Financial coverage

Share of estimated rate (i.e. price) exposure that has been fixed for rest of 2019[1]



- 40-50% of KCC's fleet capacity is allocated to transportation of wet products and 50-60% to dry products
- Fixed rate caustic soda (CSS) contracts (COAs) consist of one long term COA and several mainly one year COAs.
- One-year COAs are normally concluded during October – December for the next one year period with a fixed pricing i.e. pricing is fixed once a year.
- One long-term CSS COA and the recently concluded CPP COA are index-linked
- Dry COAs consist of both fixed rate and index-linked COAs. In addition, part of dry bulk exposure is hedged by selling FFAs

1) Rest of 2019 as of end of March
2) Wet capacity is based on minimum volume on CPP COA. Wet capacity will be 74 % if max volume on CPP COA.

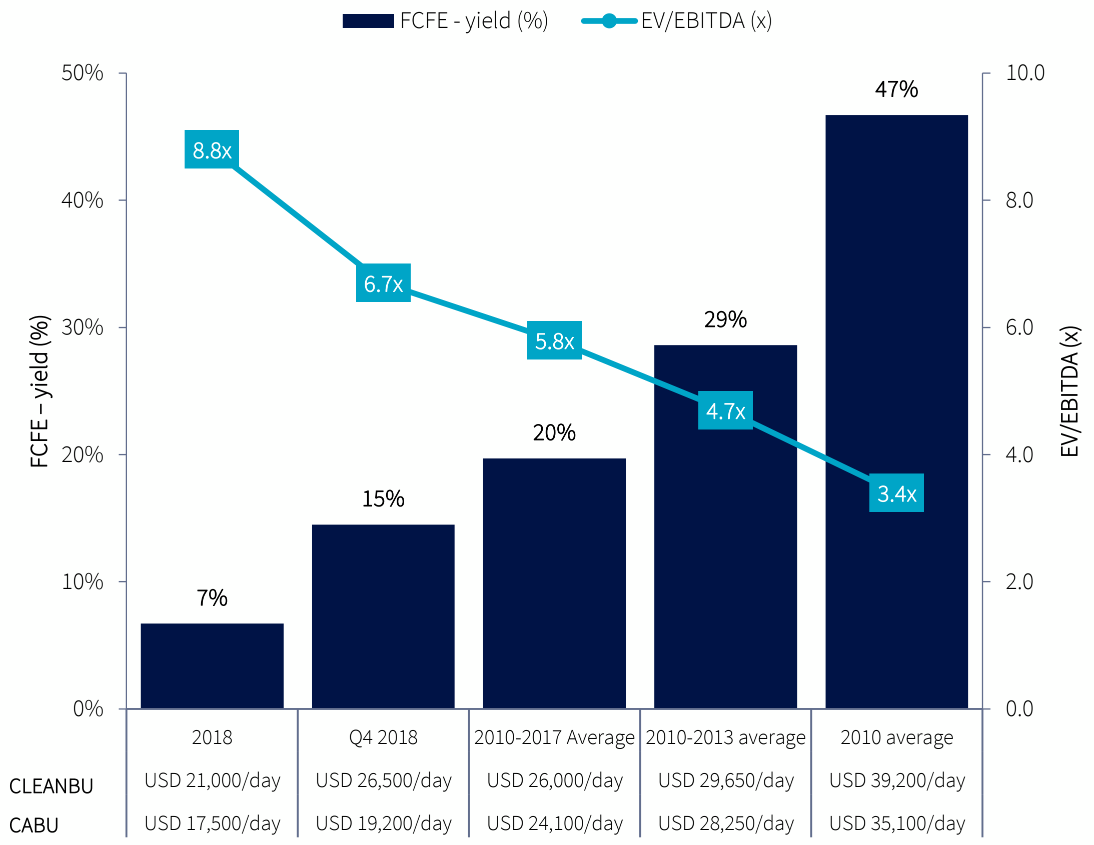
Investment considerations

Earnings sensitivity fully delivered

Key assumptions

Earning sensitivity	Unit	2018	Q4 2018	2010-2017 Average	2010-2013 average	2010 average
# of vessels years	**#**	**17**	**17**	**17**	**17**	**17**
# of CABU	"	9	9	9	9	9
# of CLEANBU	"	8	8	8	8	8
CABU TCE2	USD/day	17,500	19,200	24,100	28,250	35,100
CLEANBU TCE2	"	21,000	26,500	26,000	29,650	39,200
Average OPEX	USD/day	7,100	7,100	7,100	7,100	7,100
SG&A per day	"	800	800	800	800	800
Utilization	%	98.0 %	98.0 %	98.0 %	98.0 %	98.0 %
Pre-money equity value	USDm	223	223	223	223	223
New equity	"	46	46	46	46	46
Post - money equity value	"	270	270	270	270	270
Bank debt4	"	291	291	291	291	291
Bond loan	"	35	35	35	35	35
Total IBD	"	326	326	326	326	326
Enterprise value5	"	596	596	596	596	596
All-in interest rate, bank loan	%	5 %	5 %	5 %	5 %	5 %
Fixed interest, Bond loan	"	7 %	7 %	7 %	7 %	7 %
Revenue	USDm	117	138	152	176	225
OPEX	"	(44)	(44)	(44)	(44)	(44)
G&A	"	(5)	(5)	(5)	(5)	(5)
EBITDA	"	68	89	103	127	176
Interest expense	"	(19)	(19)	(19)	(19)	(19)
Debt repayments	"	(28)	(28)	(28)	(28)	(28)
Drydock cost	"	(4)	(4)	(4)	(4)	(4)
Free cash flow to equity (FCFE)	"	18	39	53	77	126
EV/EBITDA	x	**8.8x**	**6.7x**	**5.8x**	**4.7x**	**3.4x**
FCFE-yield	%	**6.7 %**	**14.5 %**	**19.7 %**	**28.6 %**	**46.7 %**
Unlevered yield	"	**10.8 %**	**14.3 %**	**16.7 %**	**20.7 %**	**28.9 %**

FCFE-yield potential before considering expected fuel spread[1]

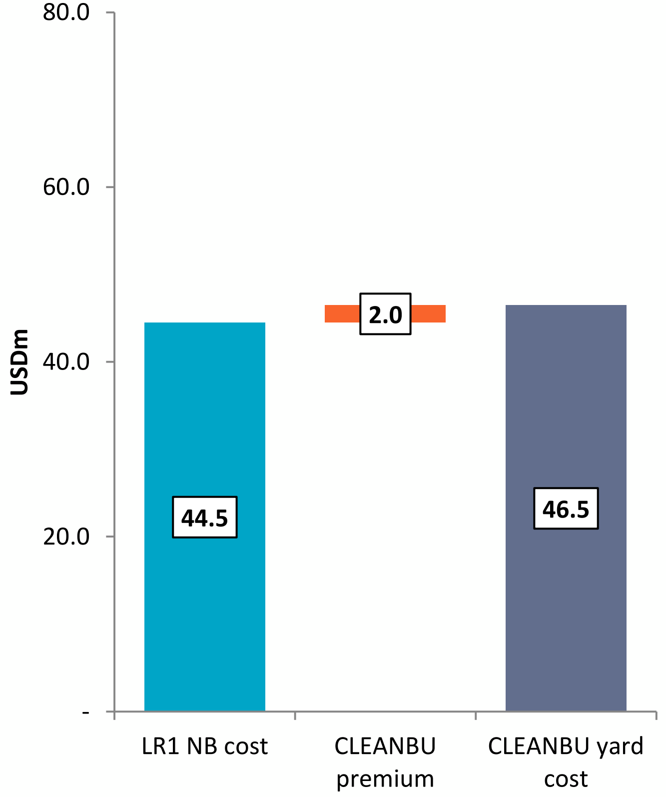


1) Table and chart for illustration purposes only
2) TCE rates based on actual achieved day rates for CABU and earnings simulation for CLEANBU. CABU 2018 and Q4 2018 rate/d is average for six vessels built 2001 -2007 and three vessels built in 2016-2017. The three CABU vessels delivered in 2016 and 2017 has approx. 9% higher earnings compared to the six vessels built in 2001-2007.
3) Assumed equity raise of USD 46 million and ~USD60 million in debt financing.
4) Debt is estimated end of 2021 debt bank debt balance in addition to USD30 million in debt financing per additional vessel and a bond loan of USD35 million
5) For simplicity assumed to be Post money value plus total IBD (bank and bond debt)
6) For simplicity assumed equal to 2020 estimated drydock costs

Investment considerations

Estimated CLEANBU earnings premium creates significant value premiums to standard tonnage

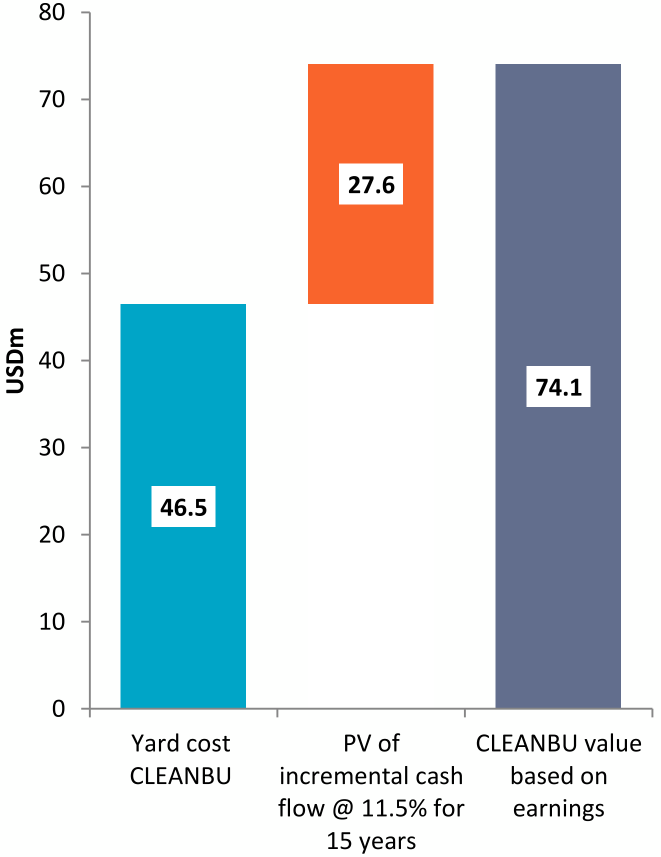
Yard cost of CLEANBU vs standard tonnage



Required TCE rate for CLEANBU newbuild vs standard tonnage[1]

		Implied TCE rate/value
LR 1 NB (25 yrs to scrap @ 11.5% DF)	USD/day	23,500
- CLEANBU NB (25 yrs to scrap @ 11.5% DF)	"	24,300
= CLEANBU LR1 spread	"	***(800)***
+ CLEANBU earnings premium (1.5x)	*USD/day*	*11,750*
= Incremental CLEANBU cash flow	"	***10,950***
	USDm p.a	***3.94***
PV incremental cash flow (15 yrs @ 11.5% DF)	*USDm*	*27.6*
+ Yard cost CLEANBU	"	*46.5*
= CLEANBU value based on earnings	"	***74.1***
Fair GAV premium	***x***	***1.6x***

Theoretical price based on incremental earnings for 15 years

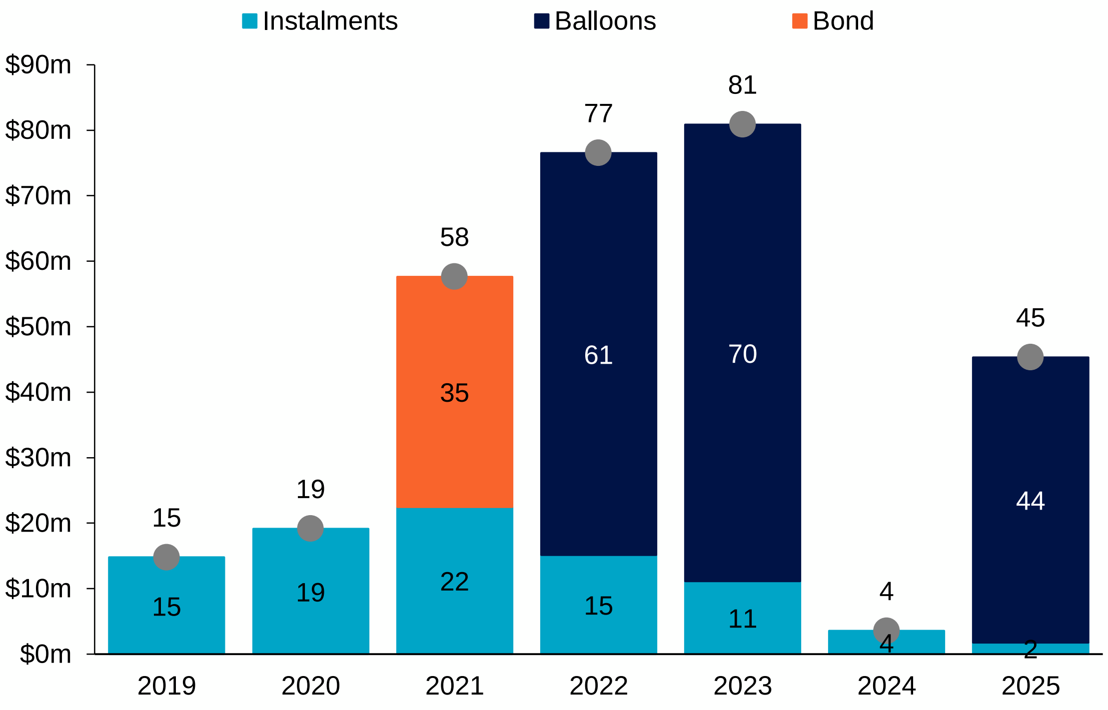


1) Main assumptions: 360 operating days, DF: Discount factor/required rate of return

Limited refinancing risk and strong relationships with leading shipping banks

Limited refinancing risk

Maturity profile for debt as per 31.12.2018 and committed debt (5XCLEANBU with 2019 and 2020 delivery) [1]



Bank consortium and main debt terms

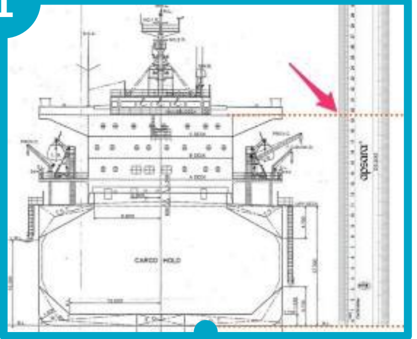
- KCC shall aim to have diversified sources of funding and maintain a solid capital structure
- Limited refinancing risk with no maturities (excluding overdraft facility) prior to the bond due date in May 2021. The current bank debt matures in March 2022 and December 2023 and August 2025
- Klaveness has a strong relationship to its key banks and is in addition in process of securing bank debt from new banks
- Bank loans have been secured for five newbuilds with delivery in 2019 and 2020. The company is in process to secure bank debt for additional one newbuilding with delivery in 2020
- Average margin for bank debt is 2.3% at year-end 2018 and the NOK bond loan is swapped to a USD fixed interest rate 6.98%

1) In January 2019 the USD 36 million unsecured loan from KSH was cancelled while simultaneously the KCC assumed the obligations of the KCC03 bond loan

Investment considerations

Significant barriers to entry for potential new players

1



Proprietary design and solutions

KCC has exclusivity on the CLEANBU design

2

Unique track record for dry/wet switching

KCC is the only shipping company with extensive and continuous technical and operational track record in combination carriers

3

Significant cargo and customer base in wet and dry

Long term contracts and synergies with Klaveness Dry Bulk business give scheduling flexibility/efficiency

4

High and increasing cost of vessel

Increasing newbuilding prices and limited interest in specialized vessels have increased vessel cost

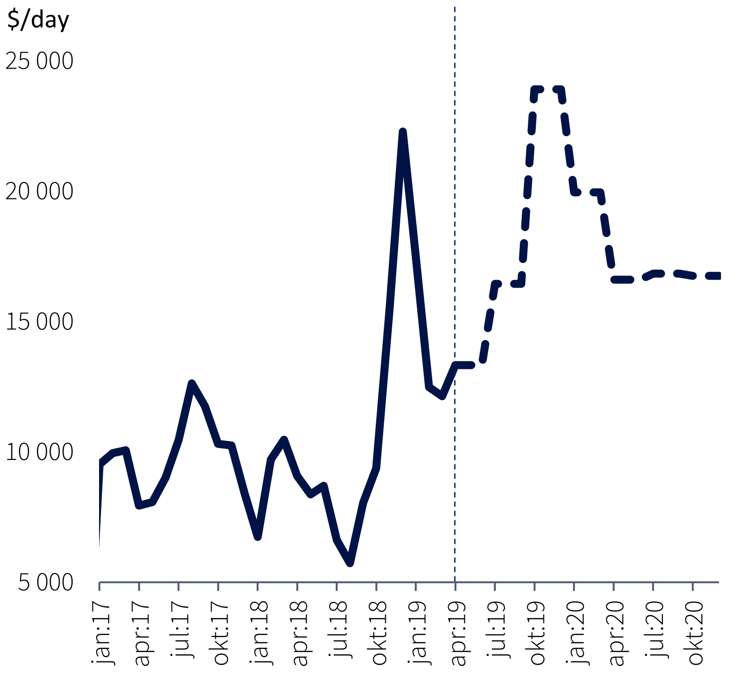
Market outlook – 3 markets impact KCC's earnings

Strong 2020 product tanker and fuel market outlook

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

Product tanker forward curve

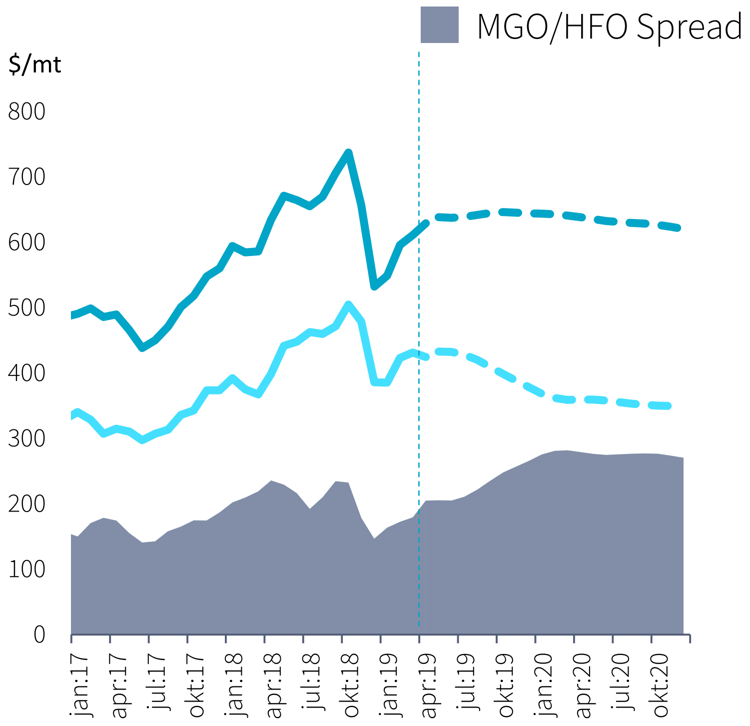
TC5 triangle trade TCE[2], Dotted line forward curve



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

Fuel prices forward curve and HFO/MGO spread

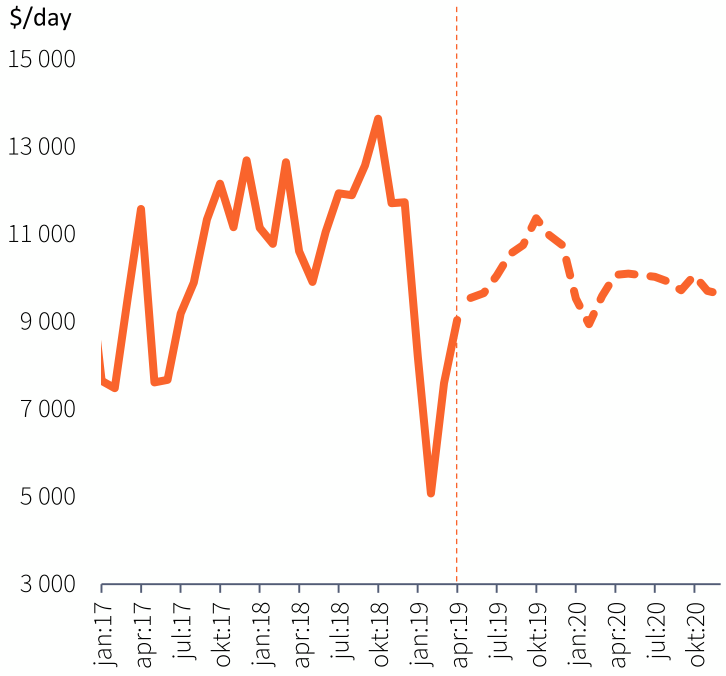
Dotted lines forward curve



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

Dry bulk forward curve

P4TC, Dotted line forward curve



1) Source: Shipping Intelligence Network, NOS, ICE, FIS

2) Source: Shipping Intelligence Network and KCC. Triangle trade TC5 PG-Japan+TC5 Korea/Australia Uuse forward WS as basis for the freight pricing and forward HFO price (Sing380 cst) with an estimated USD190 pmt premium for the compliant IMO 2020 0.5% sulphur fuel

Enclosures

KCC Environmental policy / strategy

Working together with customers to reduce local pollution

Sulphur SOx
Sulphur from engine combustion creates sulfuric acid, which is the main component of acid rain

Nitrogen Oxide (NOx)
NOx gases react to form smog and acid rain as well as formation of fine particles and ground level ozone, both associated with adverse health effects.

Black carbon
Mix of particles and oil droplets.
Second largest driver of global warming
Dangerous when being inhaled

Noise
Noise from diesel engines, ventilation systems and other machinery can be unhealthy for people living close to the ports

Possible initiatives

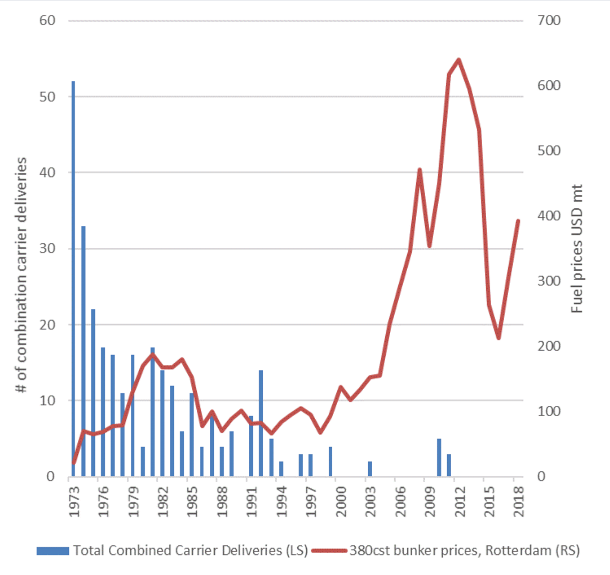
- **Burning 0.1% sulphur marine diesel in approaches and in port**
- **Utilizing NOx SCR on KCC's newest vessels**
- **Installing on-board equipment for the use of non-polluting shore power in ports**
- **Identifying ways to reduce noise pollution**

Enclosures

Why will CLEANBUs be a commercial and technical success contrary to the old OBOs ?

Higher value creation in a high fuel cost environment

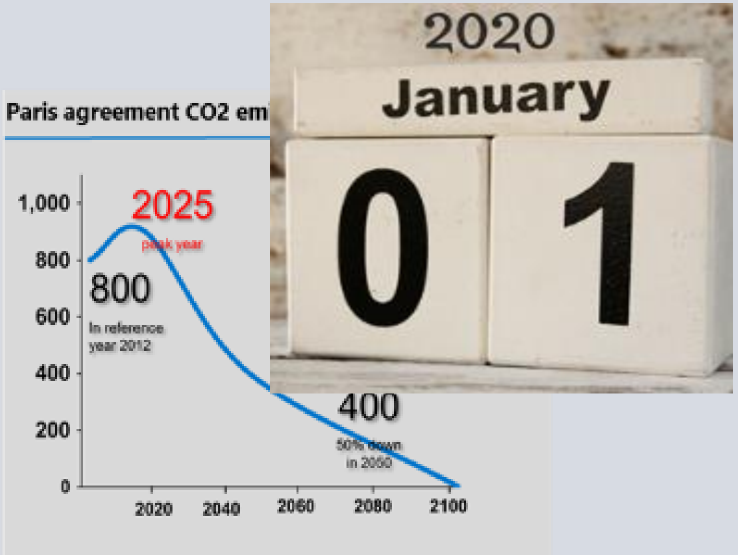
Deliveries of combination carriers vs fuel price[1]



Better technical solutions and better operational procedures permitted by new technology

Bridge on new CLEANBU

New times, new requirements, new players



Enclosures

Delivery and CAPEX overview[1]

CLEANBU delivery schedule

Name	DWT[1]	Contract price[2]	Option declaration date	2019–2022, Q1–Q4
Baru – 1222	82,425	USD 48.5m	Delivered	10.01.2019
Barracuda – 1223	83,500	USD 48.5m	Firm	27.05.2019
Barramundi – 1224	83,500	USD 48.2m	Firm	27.07.2019
Baleen – 1226	83,500	USD 46.5m	Firm	29.02.2020
Bangus – 1227	83,500	USD 46.5m	Firm	31.08.2020
Baiaco – 1228	83,500	USD 46.5m	Firm	31.10.2020
Option # 1 – 1229	83,500	USD 46.5m	May 2019	10.01.2021
Option # 2 – 1247	83,500	USD 46.5m	May 2019	28.02.2021
Option # 3 – 1225	83,500	USD 46.5m	Jun 2019	30.04.2021
Option # 4 – 1248	83,500	USD 47.4m	Aug 2019	30.08.2021
Option # 5 – 8	83,500	TBA	Sep and Dec 2019	2021/2022

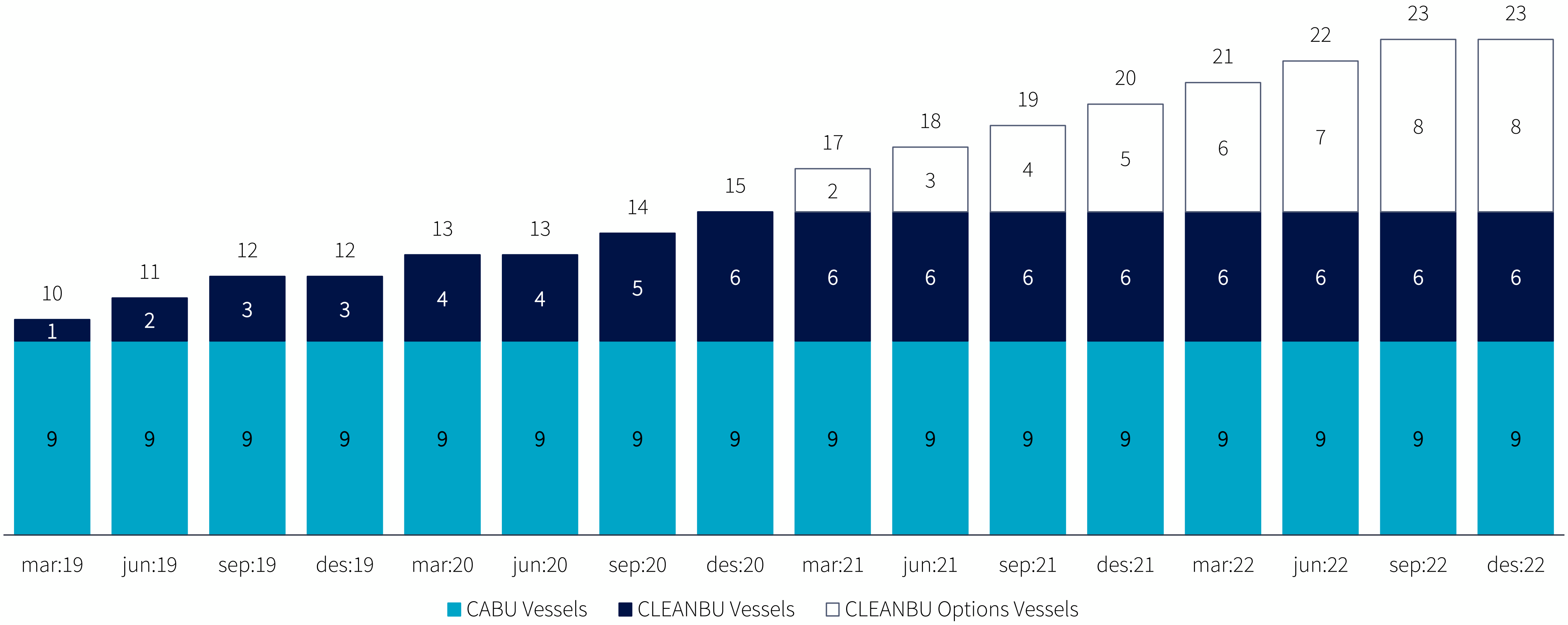
Estimated remaining CAPEX on firm vessels per year end 2018

	Remaining CAPEX			Quarterly yard instalment plan								
				2019				2020				
Remaining CAPEX in USDm	**Yard instalments**	**Predelivery costs[2]**	**Total remaining CAPEX**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Baru – 1222	34.0	2.2	36.2	34.0	-	-	-	-	-	-	-	34.0
Barracuda – 1223	34.0	2.1	36.1	-	34.0	-	-	-	-	-	-	34.0
Barramundi – 1224	33.7	2.1	35.8	-	-	33.7	-	-	-	-	-	33.7
Baleen – 1226	42.0	3.3	45.3	4.7	-	4.7	-	32.6	-	-	-	42.0
Bangus – 1227	42.0	3.5	45.5	-	4.7	-	4.7	-	-	32.6	-	42.0
Baiaco – 1228	46.5	3.7	50.3	4.7	4.7	-	-	4.7	-	-	32.6	46.5
Total	**232.3**	**16.9**	**249.2**	**48.0**	**72.4**	**4.7**	**4.7**	**37.3**	**-**	**32.6**	**32.6**	**232.3**

1) In addition to capital expenditure related to the CLEANBU newbuild program the Company has capital expenditures related to drydocking, maintenance and upgrading. These are estimated to USD5 million in 2019, USD 3.5 million in 2020 and USD 6 million in 2021.
2) Estimates for vessels under construction, actual DWT might deviate some upon delivery of vessel
3) Payment terms - 10%/10%/10%/70%
4) Includes supervision, project management , change orders and startup costs. Excludes financing costs.

Enclosures

Fleet development



Overview of key services to be provided by Torvald Klaveness affiliated companies to Klaveness Combination Carriers

	Pricing method	Overview of services
Administrative services & business management (G&A)	CEO and CFO: Cost+10 %. Administrative services: Cost+5% Services outsourced to Manila: Cost+5% ** Bonus charged separately*	▪ Accounting, treasury, legal, IT services, rent and office services. Services partially outsourced to Manila in cost-efficient model ▪ Management (CEO, and CFO part time) ▪ External expenses invoiced without mark-up ▪ **Costs reported as G&A**
Commercial management services	Chartering, Operations & Business Development (Oslo & Singapore): Cost+7.5% **1.25% fixture fee on dry spot fixtures*	▪ Dedicated team of 4-5 persons covering chartering and business development of the combination carrier business ▪ Dry-bulk spot chartering performed by persons within Klaveness' dry-bulk chartering and trading operations ▪ Commercial operations ▪ **Commercial management cost has historically been extracted prior to payment of hire to the vessels. From Q2 2018 the fee has been reported as G&A.**
Technical management	Technical management: Fixed fee per vessel	▪ Maintenance and repair incl. drydock supervision, supplies and provisioning, insurance, procurement of spares, IT and administration. ▪ Crewing fee part of opex ▪ **Fee is reported as part of OPEX**
Project and newbuild supervision	Project management (Oslo): Cost+7.5%. On-site supervision: Cost+5%	▪ Site supervision and project management services for the newbuilds ▪ Vessel design and development expenses, technical discussions and negotiations with shipbuilders /sellers ▪ **Costs reported as part of delivered cost for vessels under construction**

Transparent pricing model in accordance with OECD principles. Fees are fixed annually based on a review of the cost base

Enclosures

Link to full financial statements for 2018 including notes.

Consolidated financial statements 2018 (audited)

INCOME STATEMENT

Year ended 31 December

USD '000	Notes	2018	2017
Continuing operations			
Freight revenue	2, 5	84 284	-
Charter hire revenue	2, 5	17 540	46 235
Total revenues, vessels	4	**101 824**	**46 235**
Voyage expenses	2, 6	(45 431)	-
Net revenues from operations of vessels		**56 393**	**46 235**
Operating expenses, vessels	7	(21 599)	(21 199)
Group commercial and administrative services	19	(3 618)	(1 167)
Tonnage tax	20	(119)	(112)
Other operating and administrative expenses	8	(300)	(170)
Operating profit before depreciation		**30 757**	**23 587**
Ordinary depreciation	10	(16 840)	(16 867)
Operating profit after depreciation		**13 917**	**6 720**
Finance income	9	2 234	1 709
Finance costs	9	(7 374)	(5 331)
Profit before tax from continuing operations		**8 777**	**3 098**
Tax income/(expense)	20	59	(38)
Profit after tax from continuing operation		**8 836**	**3 060**
Profit after tax from discontinuing operations	3	-	(318)
Profit for the year		**8 836**	**2 742**
Attributable to:	-		
Equity holders of the parent company		7 978	1 768
Non-controlling interests	1	858	974
Total		**8 836**	**2 742**
Earnings per Share (EPS) from operations Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	17	**0.23**	**0.07**
Earnings per Share (EPS) from continuing operations Basic and diluted, profit for the period attributable to ordinary equity holders of the parent	17	**0.23**	**0.08**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

USD '000	2018	2017
Profit/ (loss) of the period	**8 836**	**2 742**
Other comprehensive income to be reclassified to profit or loss		
Net movement fair value on interest rate swaps	368	(86)
Net movement fair value FX hedge	(35)	-
Net movement fair value bunker hedge	(918)	-
Net movement fair value FFA hedge	970	-
Income tax effect	-	
Net other comprehensive income to be reclassified to profit or loss	**385**	**(86)**
Other comprehensive income/(loss) for the period, net of tax	**385**	**(86)**
Total comprehensive income/(loss) for the period, net of tax	**9 221**	**2 655**
Attributable to:		
Equity holders of the parent company	8 029	1 724
Non-controlling interests	1 192	931
Total	**9 221**	**2 655**

Enclosures

Link to full financial statements for 2018 including notes.

Consolidated financial statements 2018 (audited)

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 Dec 2018	31 Dec 2017
Non-current assets			
Deferred tax asset	20	15	-
Vessels	10	167 037	179 785
Newbuilding contracts	11	59 877	37 751
Long-term receivables from related parties	19	-	13 788
Financial assets	15	1 855	912
Total non-current assets		**228 786**	**232 236**
Current assets			
Financial assets	15	464	-
Inventories	12	5 883	726
Trade receivables and other current assets	13	9 870	1 893
Receivables from related parties	19	594	7 638
Cash and cash equivalents	14	88 263	51 538
Total current assets		**105 074**	**61 795**
Total Assets		**333 859**	**294 032**

EQUITY AND LIABILITIES	Notes	31 Dec 2018	31 Dec 2017
Equity			
Share capital	17	4 863	-
Share premium		92 271	48 997
Other reserves		51	-
Retained earnings		80 901	103 877
Equity attributable to equity holders of the parent		**178 086**	**152 873**
Non-controlling interests		-	20 441
Total equity		**178 086**	**173 315**
Non-current liabilities			
Mortgage debt	15	95 746	94 765
Long-term liabilities to related parties	15	36 000	-
Financial liabilities	15	450	1 509
Deferred tax liability	20	-	59
Total non-current liabilities		**132 196**	**96 333**
Current liabilities			
Short-term mortgage debt	15	12 200	20 549
Other interest bearing liabilities	15	2 172	-
Financial liabilities	15	918	-
Trade and other payables		7 601	2 959
Current debt to related parties	19	563	762
Tax liabilities	20	123	114
Total current liabilities		**23 577**	**24 384**
Total equity and liabilities		**333 859**	**294 032**

Link to full financial statements for 2018 including notes.

Consolidated financial statements 2018 (audited)

CASH FLOW STATEMENT

Year ended 31 December

USD '000	Notes	2018	2017
Profit before tax from continued operation		8 777	3 098
Profit before tax from discontinued operation		-	57
Tonnage tax expensed		119	112
Ordinary depreciation	10	16 840	16 867
Amortization of upfront fees bank loans		228	258
Financial derivatives unrealised loss / gain (-)	9	(1 163)	(518)
Interest income	9	(1 071)	(1 355)
Interest expenses	9	6 972	4 886
Taxes paid for the period		-	(73)
Change in receivables		(2 070)	(381)
Change in current liabilities		(1 782)	206
Interest received		1 071	1 355
A: Net cash flow from operating activities		**27 920**	**24 513**
Acquisition of tangible assets	10	(2 817)	(3 368)
Installments and other cost on newbuilding contracts	11	(22 126)	(40 188)
Acquisition of subsidiaries, net of cash		863	-
B: Net cash flow from investment activities		**(24 080)**	**(43 556)**

USD '000	Notes	2018	2017
Proceeds from mortgage debt	15	-	36 890
Transaction costs on issuance of loans		-	(372)
Repayment of mortgage debt	15	(7 528)	(21 783)
Interest paid		(7 103)	(5 144)
Capital increase April 5, 2017		-	6 500
Capital increase April 30, 2018	17	12 000	-
Capital increase October 10, 2018	17	45 000	-
Transaction costs on capital increase		(581)	-
Payments made by increase of loans to related parties		-	216
Acquisition of non-controlling interests		(622)	-
Group contribution/dividend		(9 958)	(11 640)
Dividends to non-controlling interests		(495)	(1 346)
C: Net cash flow from financing activities		**30 713**	**3 322**
Net change in liquidity in the period (A + B + C)		34 552	(15 721)
Net foreign exchange difference		-	-
		34 552	**(15 721)**
Cash and cash equivalents at beginning of period		51 538	67 259
Cash and cash equivalents at end of period*	14	86 090	51 538
Net change in cash and cash equivalents in the period		**34 552**	**(15 721)**