



Klaveness Combination Carriers

COVID-19 & general business update

April 2020

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Strong start of 2020, but increasing uncertainty beyond first half of 2020

- Focus on further strengthening KCC's robustness

Strong Q1 2020 performance and TCE earnings and positive outlook for Q2 2020 amidst of increasing operational problems due to COVID-19 situation

- Strong CABU earnings and improving CLEANBU earnings in Q1 2020
- Relatively smooth operation to date, but increasing operational challenges and strain on our crew
- Positive earnings outlook for both CABU and CLEANBU in Q2 2020 despite increasing COVID-19 risks

Strong balance sheet and cash position

- Available liquidity of USD82mn 31 March 2020
- Fully equity financed
- Current earnings above cash break even rates

Taking measures to improve robustness amidst uncertain COVID-19 situation

- Increasing "wet" contract /financial coverage for balance 2020 and beyond:
 - 1 x CLEANBU vessels fixed on 3-6 months T/C
 - Sold FFAs covering around 1/4 of CLEANBU wet capacity for 2H 2020
 - Concluded a 3 year caustic soda COA to Australia covering ½ CABU vessel capacity
- Postponing dockings and investments

COVID-19 effects to date

1. Technical operation

- (In practice) stop in crew changes. Extended crew contracts approved
- Difficult/impossible to get ship managers and service personnel onboard
- More difficult / making deviations to get necessary supplies
- Mounting delays at repair shipyards in China

→ [Maximize virus protection measures to protect crew + ensure no virus outbreak onboard our vessels](#)

2. Commercial operation / vetting

- Limited port delays/congestion and no delays in bunkering to date
- Increasing “Quarantine measures” may lead to increasing waiting time
- All scheduled vetting inspections to date have been performed according to plan. Increasingly difficult to get vetting inspectors onboard

→ [Close dialogue with customers to minimize negative effects on daily trading](#)

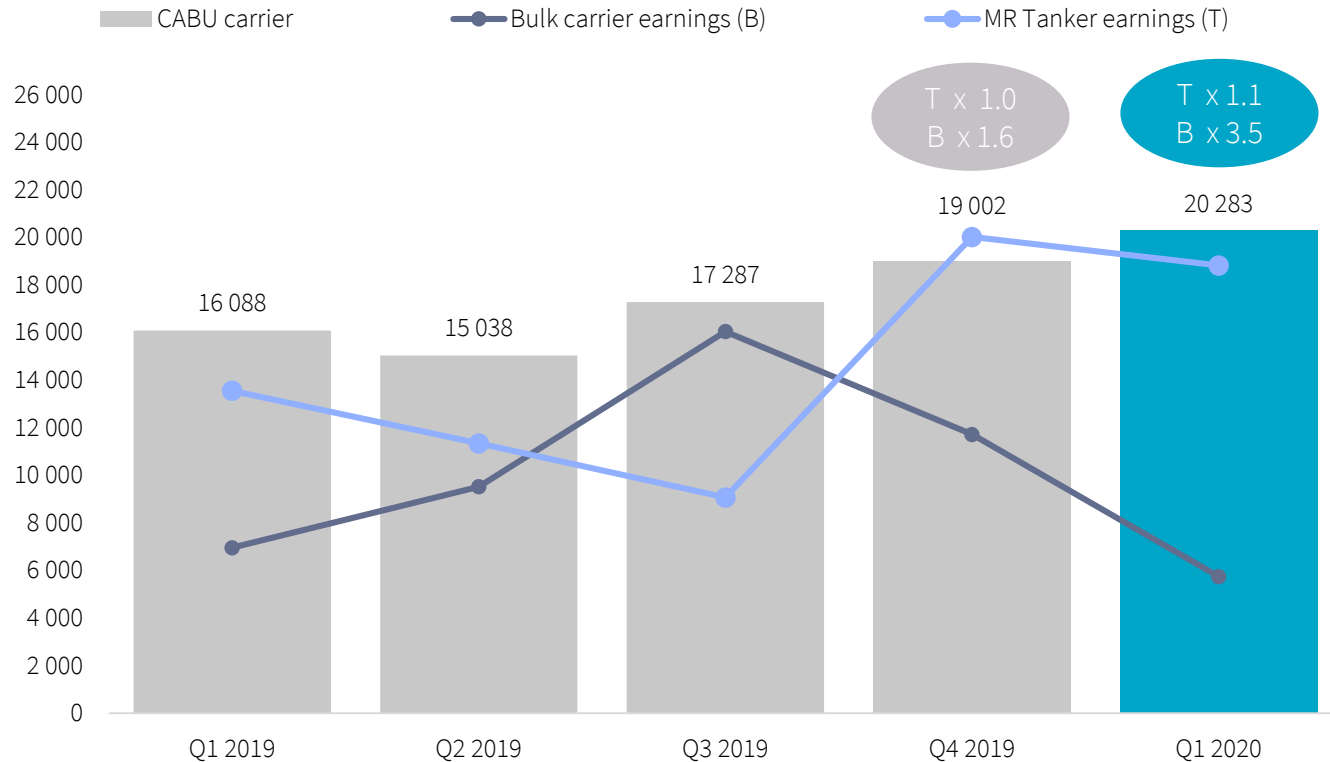
3. Trade flows keeping up to date

- No changes to CSS shipping volumes/schedules to Australia and Brazil
- No/limited changes in dry bulk shipping volumes from Australia to Middle East and Australia
- Strong CPP shipping market activity on the back of strong floating storage demand and continued trade flows

→ [Likely negative effects in all markets during Q2-2020, but KCC trades likely more resilient](#)

Solid CABU earnings in Q1 2020 driven by high share of combination trading

CABU TCE Earnings USD per onhire day

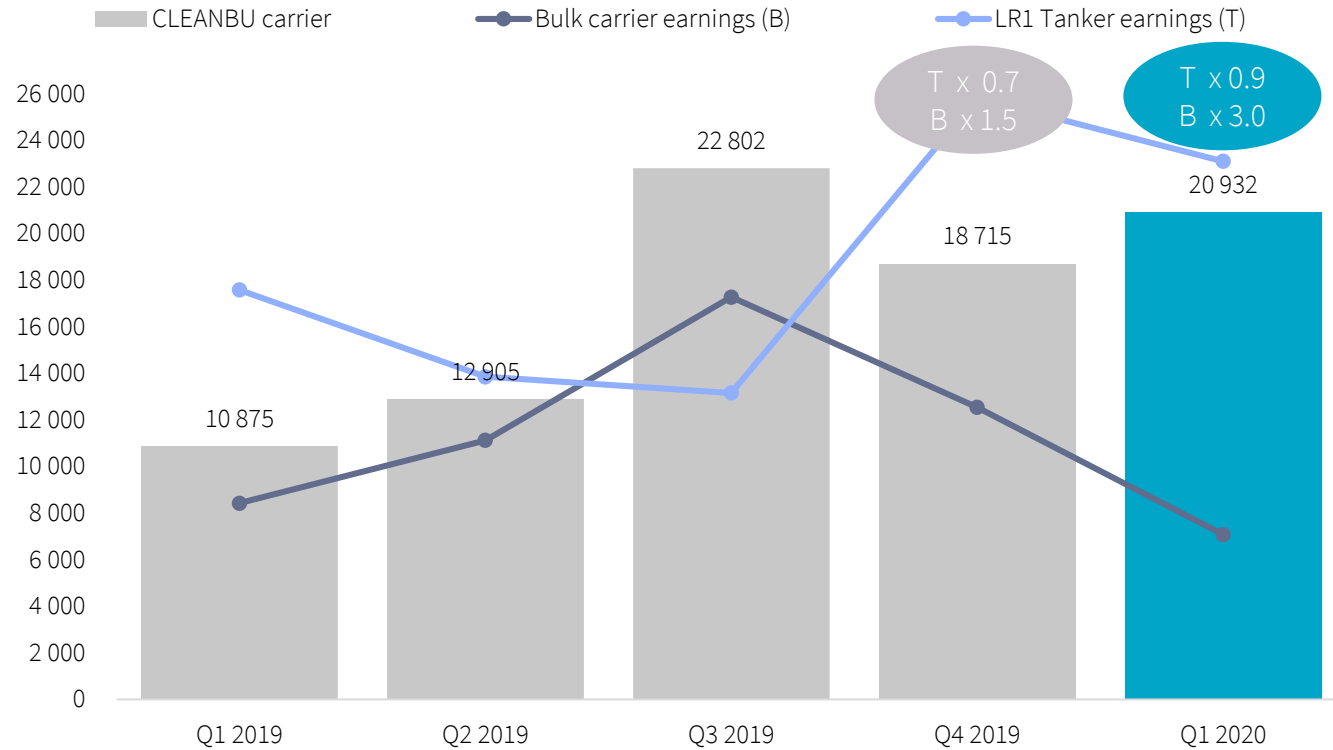


- Strong Q1-2020 earnings on the back of solid contract coverage and high CSS shipment volume - despite steep fall in dry bulk earnings and fuel prices
- Q1-2020 earnings include compensation of USD 0.7 million for non-performance of one COA in 2019.
- 99% utilization - smooth operation with few off-hire days and unpaid waiting days
- Positive outlook in Q2-2020 despite weak dry bulk and fuel markets with forecasted CABU earnings around \$17,000/day

% main combi trades:	70%	61%	87%	80%	92%
% in ballasting:	11%	12%	12%	11%	15%
Onhire days:	805	790	758	819	815
Utilization	96%	94%	89%	96%	99%

Improving CLEANBU earnings with higher share in combi-trading

CLEANBU TCE Earnings USD per onhire day

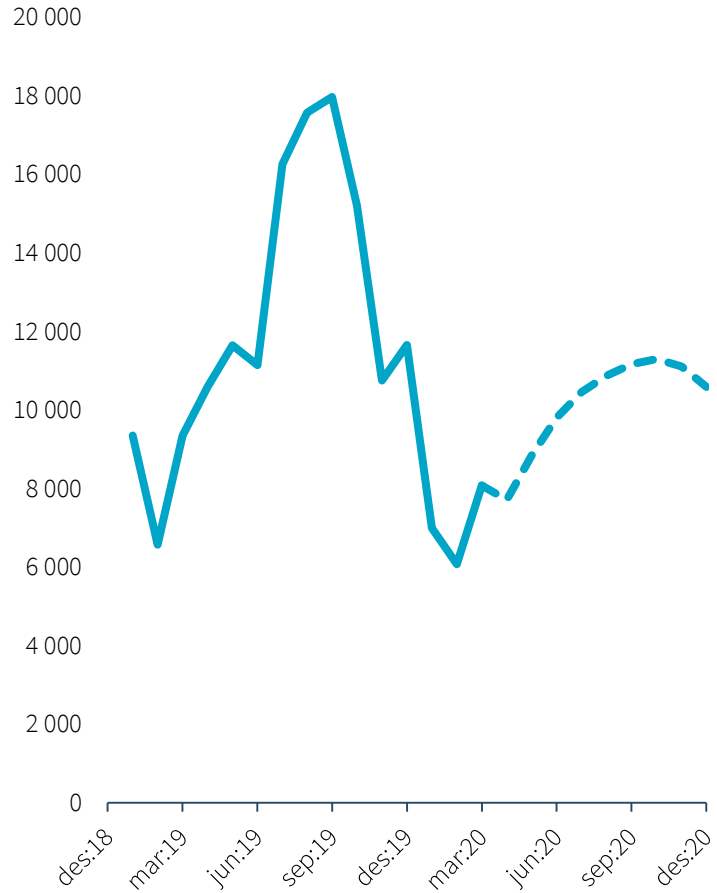


- Positive development in CLEANBU earnings mainly driven by successful combi-trading and strong tanker market
- One vessel traded as tanker with earnings at \$14,100/day.
- Two vessels in combi-trade yielding \$24,500/day
- Current strong tanker market will positively impact Q2-2020 CLEANBU earnings

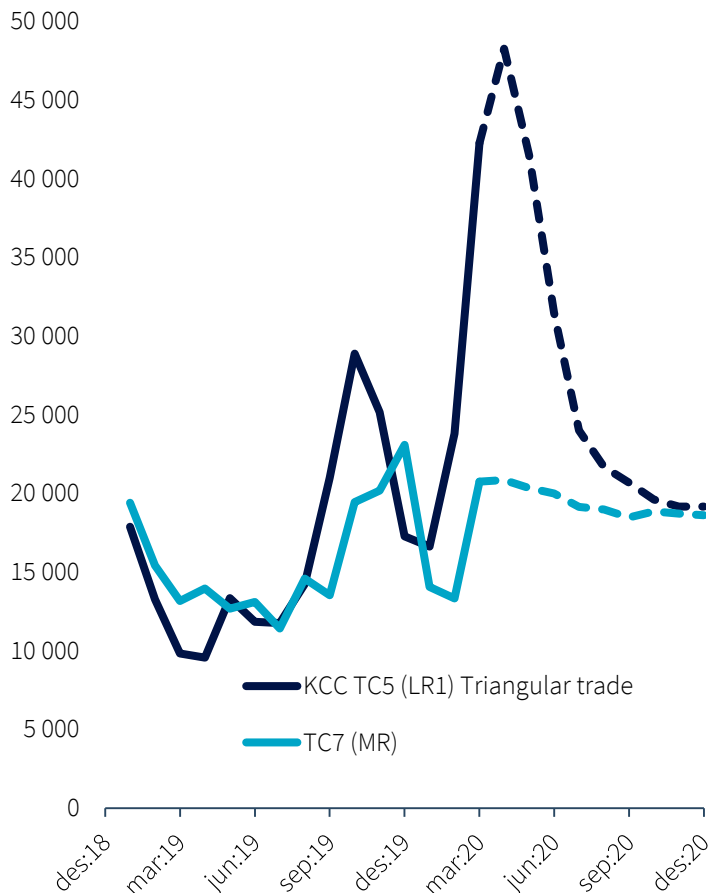
% in combi trades:	0%	58%	83%	58%	67%
% in ballasting:	0%	75%	9%	13%	17%
Onhire days:	33	75	136	218	268
Utilization:	48%	73%	96%	77%	98%

Strong tanker markets - dry bulk and fuel markets have taken a hit

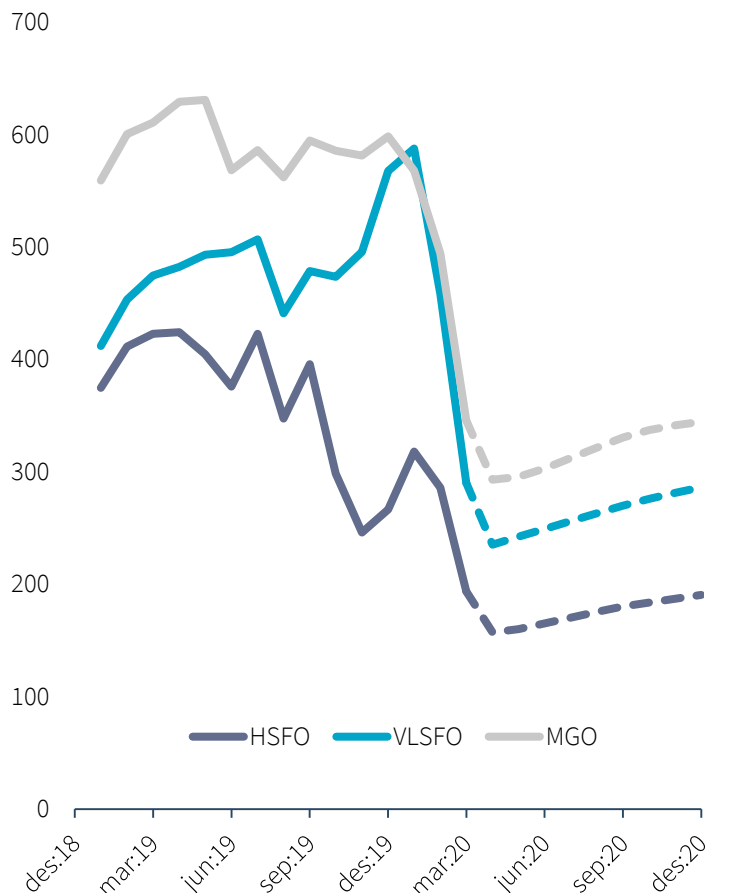
Dry bulk (P5TC TCE \$/day)



Product tanker (TCE \$/day)



Fuel (\$/mt)²

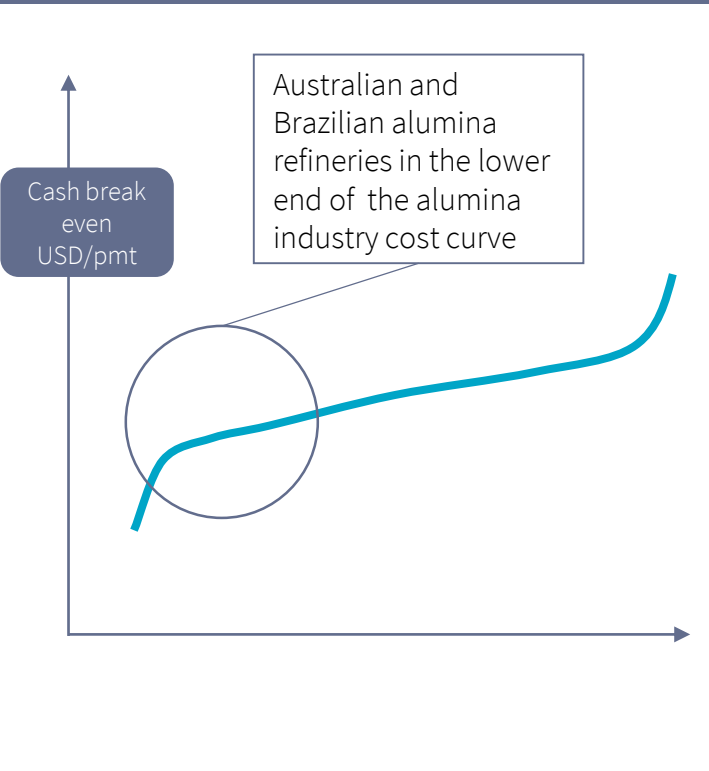


Source: Company data, Clarksons, Baltic Exchange, per 3 April 2020
 2) Fuel prices are basis Singapore excl . delivery premiums

In a world of extreme uncertainties, trade volumes to our Australian and Brazilian customers seem relatively robust

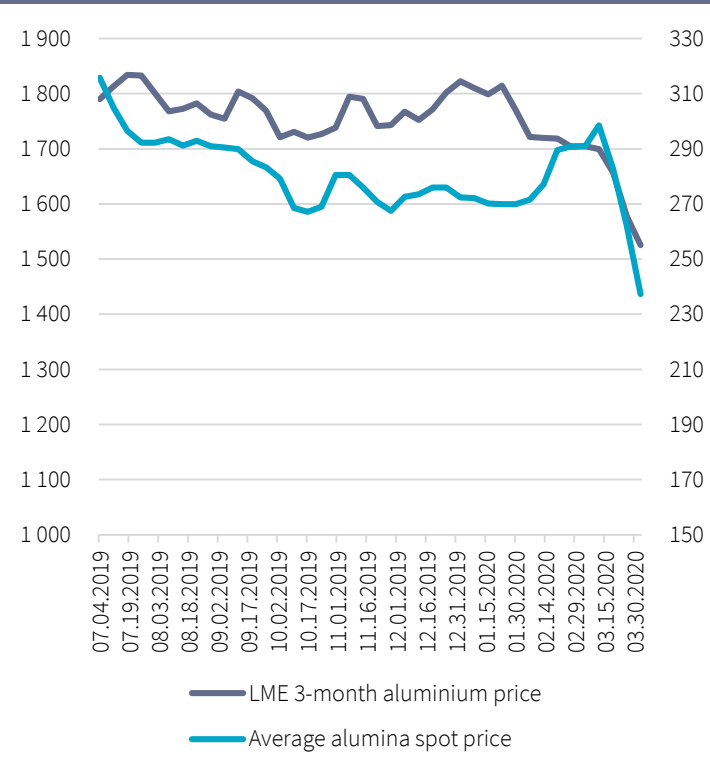
Main Australian and Brazilian alumina refineries have a competitive cash cost position

Alumina BOC curve by company USD/MT (Illustrative)



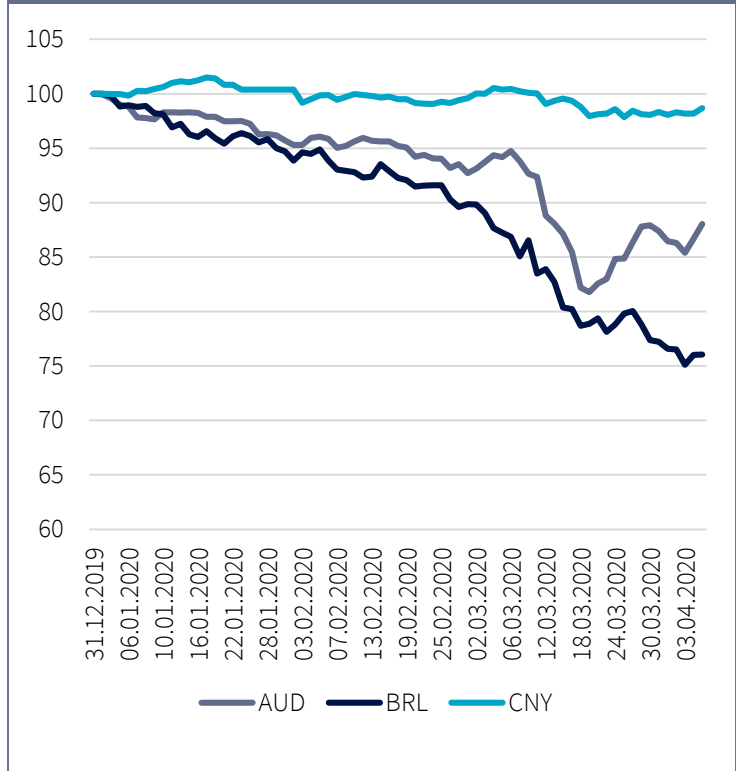
Alumina prices have so far fared better than most other commodity prices

Alumina spot prices USD pmt and Aluminium LME



Steeper depreciation of AUD and BRL improves Australian and Brazilian refiners competitiveness

AUD, BRL and CNY relative to USD, Indexed 31 December 2019=100



Shipyard production ramping up during March, Temporary solutions to strengthen site team during "lock down"

Delays in CLEANBU delivery due to COVID-19 situation and China "lock down"

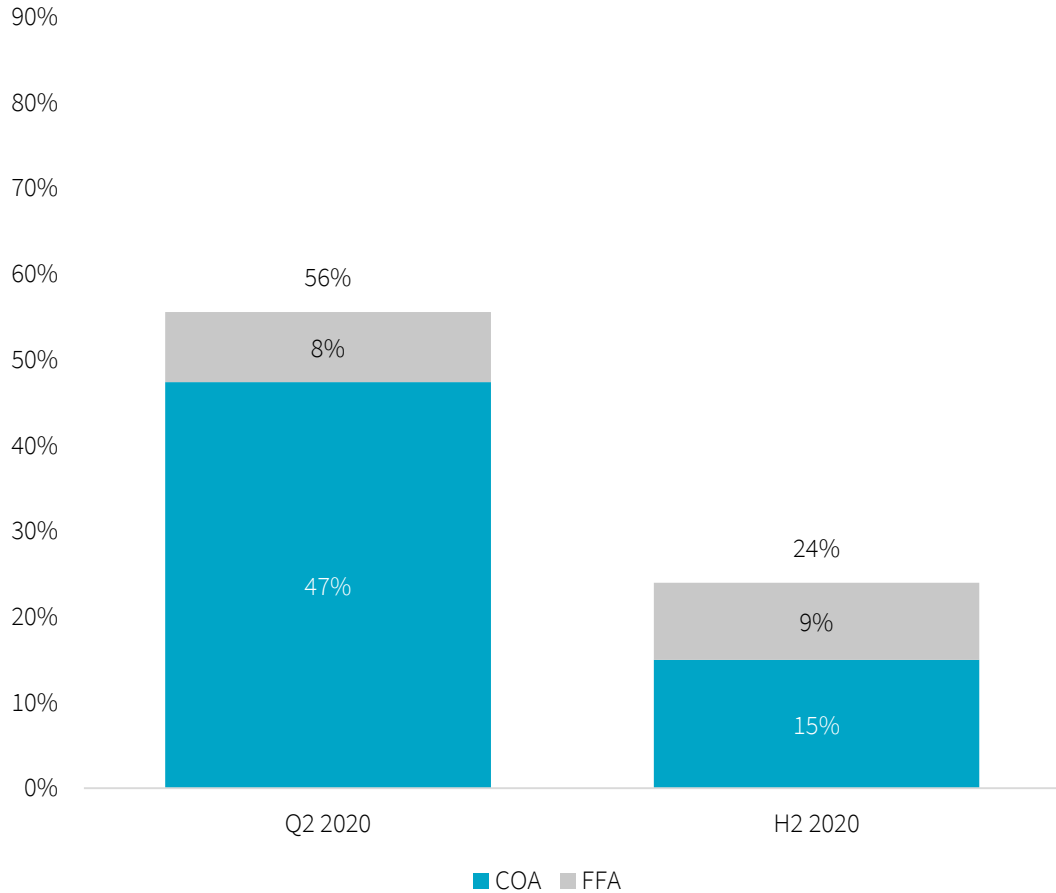
- Agreement with shipyard to postpone delivery of CLEANBU # 4 until end June 2020 based on sea-trial in early June
- Currently expects 1-2 months delay for remaining four CLEANBUs
 - CLEANBU #5: October 2020
 - CLEANBU #6: December 2020
 - CLEANBU #7: February/March 2021
 - CLEANBU #8: March/April 2021
- Risks of further delays

Temporary solutions to Chinese quarantine and lock down impacting construction follow up

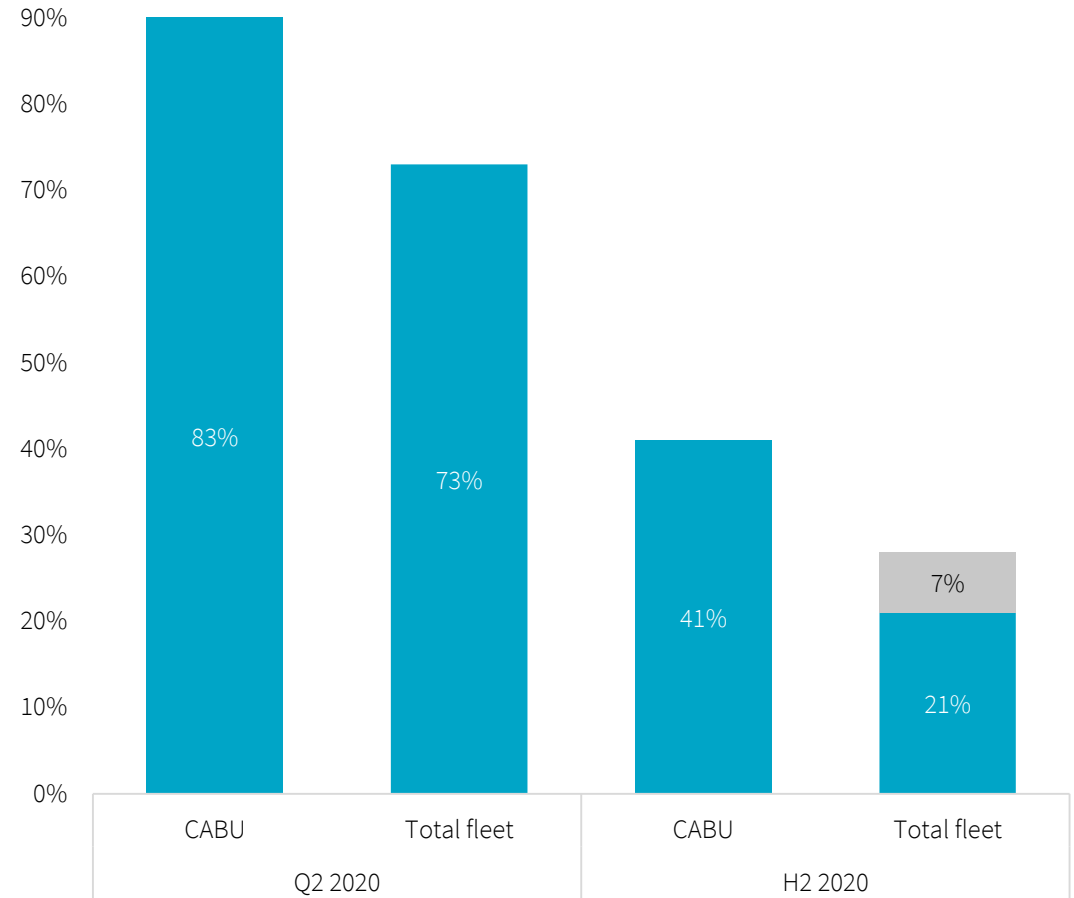
- Chinese quarantine restrictions and later "lock-down" has hindered return of part of site team to the shipyard
- Temporary solutions to strengthen site team by engaging 3rd party surveyors previously used by Klaveness
- Target to have the full site team at the shipyard within early June

Financial coverage¹

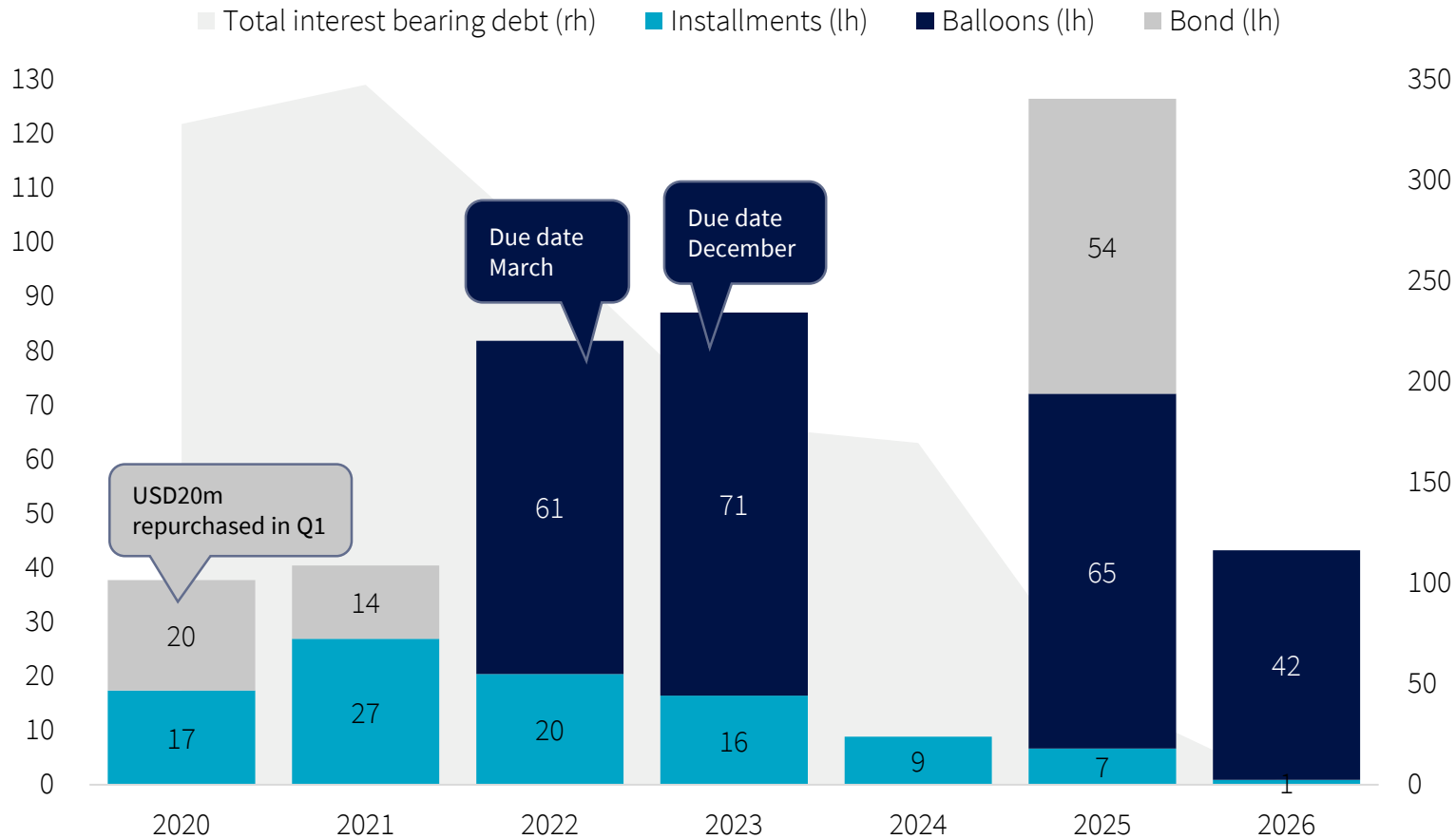
Dry market coverage



Wet market coverage



Limited financing risk next two years¹

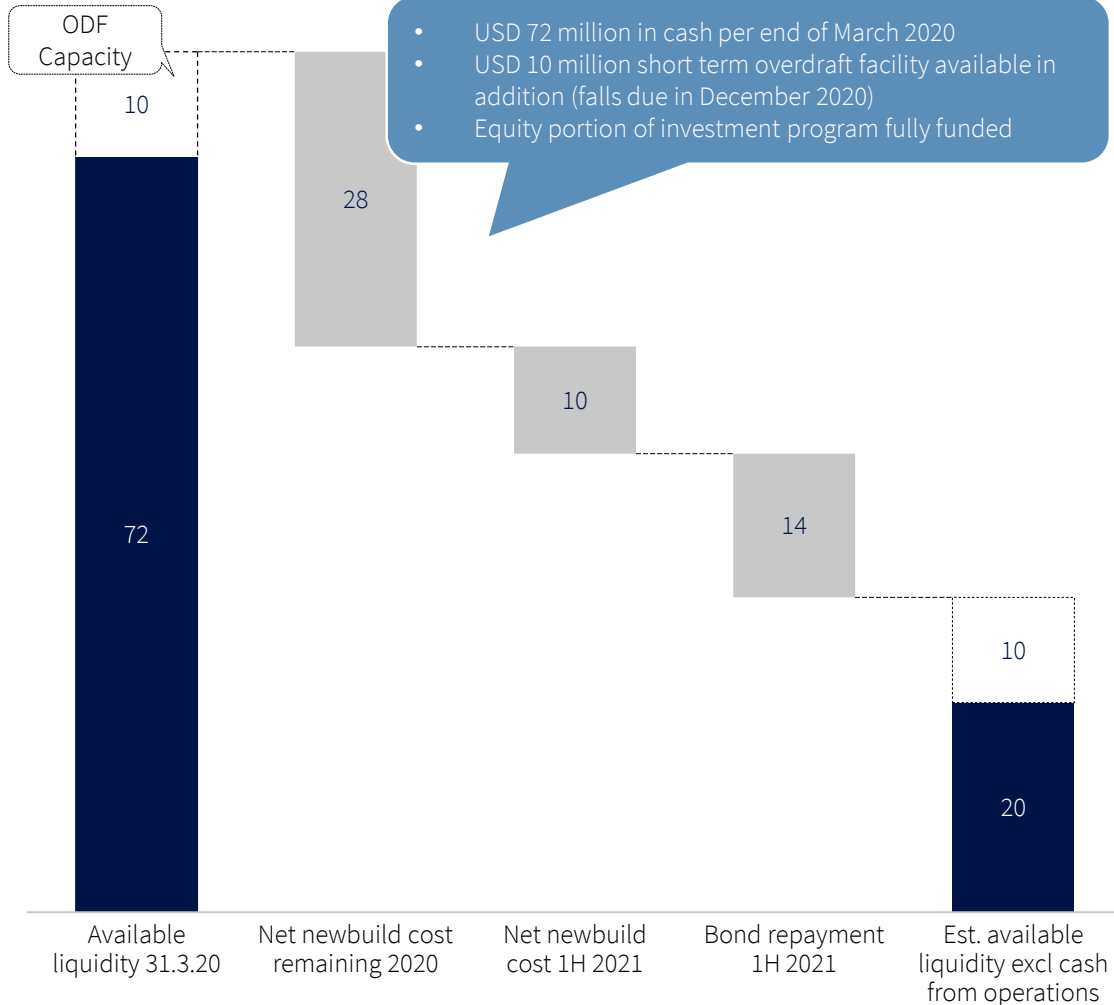


- Bond with maturity in 2021 refinanced and increased by NOK 200 million
- Bank debt secured for the three newbuilds with delivery in 2020 (USD 30.225 million per vessel)
- Process to finance remaining two vessels with delivery in 2021 progressing well with one bank having received credit approval and one bank remaining to finalize the credit process

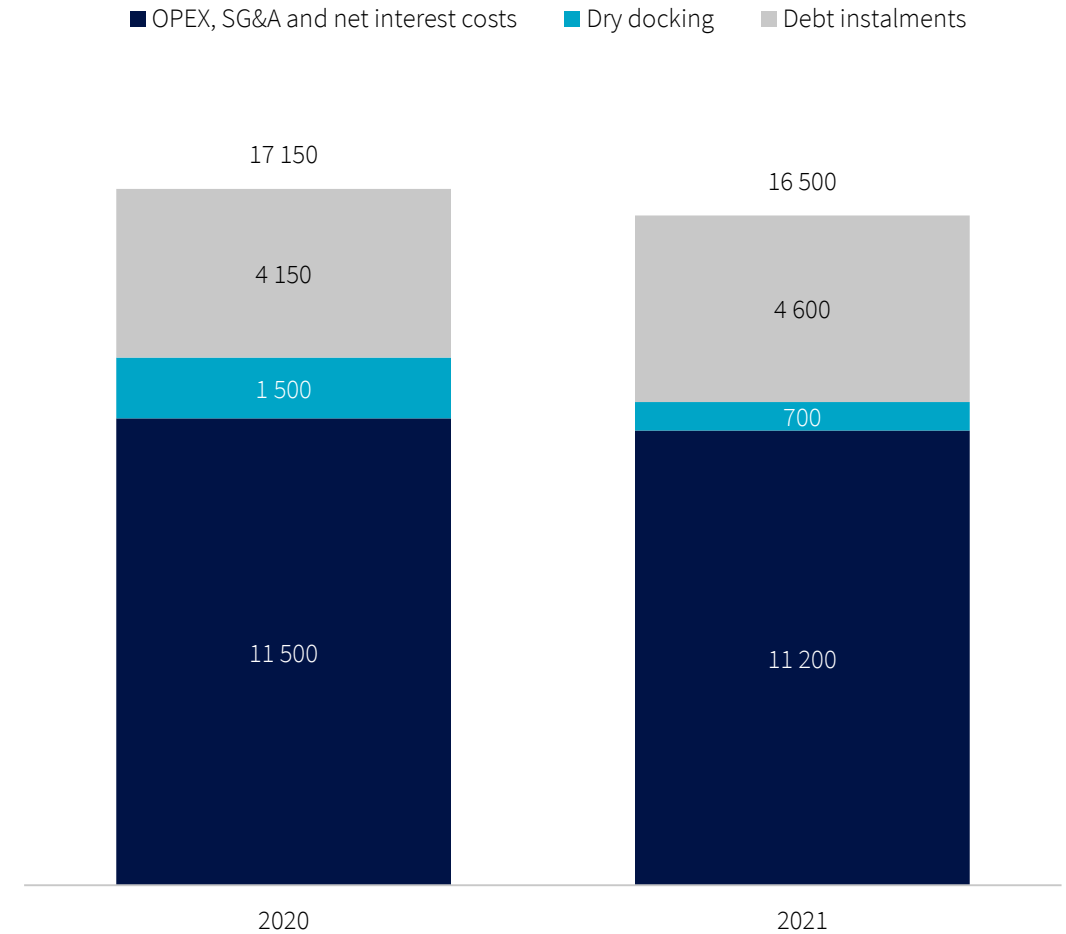
1) Estimated total interest bearing debt based on current knowledge about delivery dates of newbuilds. Numbers include bank debt for two newbuilds with delivery in 2021 where bank debt is still under negotiation, estimated to be concluded in Q2 2020. Short term overdraft facility not included.

Solid cash position and rates above cash break even

Liquidity sufficient to cover capital commitments (USDmn)¹



Estimated fleet average cash break even rates (USD/Onhire day)²



1) Includes bank debt for two newbuilds with delivery in 2021 where bank debt is still under negotiation, estimated to be concluded in Q2 2020. Includes yard instalments and other costs related to newbuilds, e.g. start-up costs, up-storing, change orders. Timing of newbuild costs dependent on milestones such as keel laying, launching etc.

2) Includes three dry dockings in 2020 and three in 2021

Mitigating actions

Priority #1

Ensure maximum protection of crew to ensure no COVID-19 outbreak onboard and keep the vessels sailing

- Minimize number and contact with visitors from shore + strict routines
- Postponed dockings
- No shore leave permitted in any port
- No crew change in any area with high COVID-19 risk – longer sailing periods
- Strict requirements to personal hygiene of crew and stricter hygiene onboard

2.

Continue to increase tanker market fixed rate coverage and duration of tanker fixtures

- Fixed 1 x CLEANBUs on 3-6 months T/C to capitalize on current strong CPP market
- Sold tanker market FFAs for 2nd half for around ¼ of expected CLEANBU tanker market exposure
- Fixed a 3 years CSS COA to Australia (until end 2022) covering about ½ CABU vessel "wet" capacity
- In process of extending CSS COAs for 2nd half of 2020

3.

Postpone dockings, non-critical investments and upgrades and evaluating cost cutting measures

- Making "in-water" intermediate survey and postponing docking of one vessel to 2022
- Reducing scope / postponing investments on remaining 3 dockings scheduled for 2020
- Cost cutting measures under evaluation

Alternative Performance Measures

Definitions and reconciliation

- TCE earnings = time charter equivalent earnings equals net average revenue per on-hire day as further described in the quarterly report for Q4 2019, note 11 (page 24) which is published on the company's homepage: <https://www.combinationcarriers.com/investor-relations/#reports-presentation>
 - CABU and CLEANBU TCE earnings per on-hire day for Q1 2020 and Q1 2019 are reconciled below.
 - CABU and CLEANBU TCE earnings per on-hire day for Q4 periodic and 2019 total are reconciled in the quarterly report for Q4 2109, note 2 (page 16-17).
 - CABU and CLEANBU TCE earnings per on-hire day for Q3 2019 and Q2 2019 are reconciled in the quarterly report for respectively Q3 2019 and Q2 2019, note 2 (page 15/page 15).

Reconciliation of average TCE earnings USD/day for Q1 2020

USD'000	CABU	CLEANBU	Total Q1 2020
Net revenues from operations of vessels	16 453	5 953	22 406
IFRS 15 adjustment (load-to-discharge)	80	(340)	(259)
Net revenues ex IFRS adjustment	16 534	5 613	22 147
Onhiredays	815	268	1 083
TCE earnings (\$/d)	20 283	20 932	20 444

Reconciliation of CLEANBU average TCE earnings USD/day for Q1 2020

USD'000	Main combi	Outside combi	Total CLEANBU Q1 2020
Net revenues from operations of vessels	4 645	1 308	5 953
IFRS 15 adjustment (load-to-discharge)	(310)	(30)	(340)
Net revenues ex IFRS adjustment	4 335	1 278	5 613
Onhiredays	177	91	268
TCE earnings (\$/d)	24 500	14 100	20 932

Reconciliation of average TCE earnings USD/day for Q1 2019

USD'000	CABU	CLEANBU	Total Q1 2019
Net revenues from operations of vessels	12 981	358	13 339
IFRS 15 adjustment (load-to-discharge)	(28)	-	(28)
Net revenues ex IFRS adjustment	12 953	358	13 311
Onhiredays	805	33	838
TCE earnings (\$/d)	16 088	10 875	15 883