Klaveness Combination Carriers

Klaveness Combination Carriers Quarterly report Q2 2020

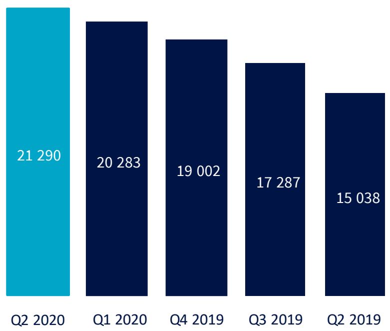
HIGHLIGHTS

- Adjusted EBITDA of USD 15.9 million, 23% higher than last quarter, and Profit after tax of USD 8.4 million
- CABU TCE earnings of $21,290/d and CLEANBU TCE earnings of $30,983/d, up approx. $1,000/d and $10,000/d respectively compared to last quarter
- Annualized ROCE of 10% despite five vessels under construction
- Fully financed after having signed a sustainability linked bank facility for the 2021 newbuilds
- Dividend payments maintained at USD 0.03 per share (total USD 1.44 million) for Q2

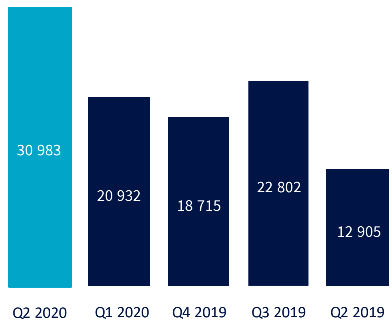
"We are pleased to report strong results and operational performance for the second quarter. The earnings outlook for the remaining part of the year is positive, despite a historical weak tanker market and the COVID-19 situation. Our performance and outlook demonstrate the value of our combination carrier concepts including the vessels' trading flexibility, diversified market exposure and solid contract coverage".

Engebret Dahm, CEO
Klaveness Combination Carriers ASA

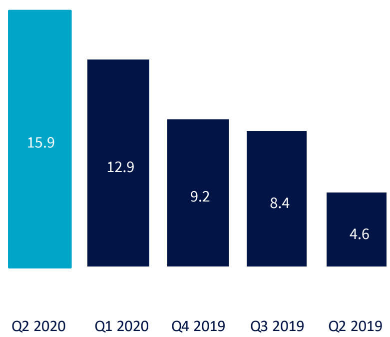
Average CABU TCE earnings ($/d)



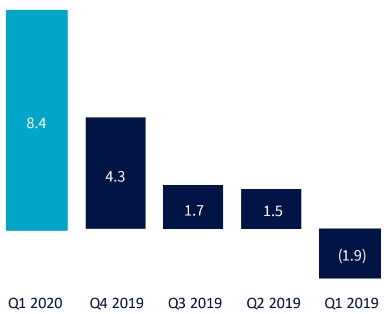
Average CLEANBU TCE earnings ($/d)



Adjusted EBITDA (mUSD)



Profit/(loss) after tax (mUSD)



CONSOLIDATED FINANCIALS

Adjusted EBITDA for the second quarter was USD 15.9 million, up from USD 12.9 million in first quarter 2020, mainly driven by a strong tanker market and efficient combination trading for the CABU vessels.

Key Figures

(USD '000)	Q2 2020	Q1 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Net revenues from vessel operations	25 506	22 403	12 607	47 909	25 933
EBITDA (note 11)	15 720	12 825	4 227	28 545	8 963
EBITDA adjusted (note 11)	15 860	12 856	4 595	28 717	9 886
Profit/(loss) for the period	8 359	4 314	(1 876)	12 673	(2 680)
Earnings per share[1]	0.17	0.09	(0.04)	0.26	(0.06)
Total assets	485 814	486 785	430 847	485 814	430 847
Equity	215 946	209 237	211 845	215 946	211 845
Equity ratio	44 %	43 %	49 %	44 %	49 %
ROCE adjusted (note 11)	10 %	8 %	1%	9 %	2%

	Q2 2020	Q1 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Average TCE earnings (note 11)	23 679 $/d	20 441 $/d	14 854 $/d	22 111 $/d	15 352 $/d
Opex per day (note 11)	7 748 $/d	7 627 $/d	7 150 $/d	7 689 $/d	7175 $/d
Onhire days	1 071	1083	865	2 154	1 703
Off-hire days, scheduled	9	-	25	9	25
Off-hire days, unscheduled	11	9	20	20	66
% of days in main combination trades[2]	67 %	86 %	84 %	76 %	79 %
Utilisation[3]	95 %	99 %	92 %	94 %	92 %

FINANCIAL PERFORMANCE

Net revenues from operations of vessels were USD 25.5 million in Q2 2020 compared to USD 12.6 million in the same quarter last year, primarily as a result of a considerably stronger tanker market and in addition two more vessels in operation. A weak dry bulk market and low fuel prices, however, had negative earnings effects. The average TCE earnings per on-hire day were close to $23,700/day in average for the fleet, approximately $8,800/day higher than in Q2 2019, mainly due TC employment secured for the three CLEANBU vessels in a peak tanker market and somewhat higher utilization.

Operating expenses for the vessels increased from USD 6.9 million in Q2 2019 to USD 8.5 million in Q2 2020 mainly due to two more vessels in operation. The financial impact of COVID-19 is so far limited and mainly relates to extra crew cost.

Adjusted EBITDA for the period ended at USD 15.9 million up from USD 4.6 million in Q2 2019 and USD 12.9 million in previous quarter.

Net result from financial items was negative USD 3.0 million in both Q2 2020 and Q2 2019. Net interest expenses were USD 1.3 million higher when comparing the two quarters due to higher mortgage debt following the delivery of the CLEANBU vessels and higher bond debt. While non-cash fair value changes of derivatives are recognized over other comprehensive income in 2020, these negative effects in Q1 2019 were part of the profit and loss statement.

Net profit after tax for Q2 ended at USD 8.4 million compared to a loss of USD 1.9 million for the same period last year and up from USD 4.3 million in Q1 2020.

Adjusted EBITDA for first half 2020 ended at USD 28.7 million, up from USD 9.9 million in first half 2019, mainly driven by CLEANBU TCs secured in a strong tanker market, a substantially higher caustic soda volume for the CABU vessels and two more vessels on water. Both CLEANBU earnings and costs were in first half of 2019 negatively impacted by the phase-in of the first CLEANBU vessel, while CABU earnings per day were affected by low caustic soda volumes and hence less vessels in efficient combination trade. The CABUs had 80% of days in main combination trades for first half 2019 compared to 88 % for first half 2020. CABU TCE earnings per on-hire day for first half 2020 increased by around $5,200/d when comparing the two periods, while CLEANBU TCE earnings per on-hire day was up around $13,700/day in the same period.

THE CABU BUSINESS

(USD/day) / # of days	Q2 2020	Q1 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Average TCE earnings (note 2)	21 290 $/d	20 283 $/d	15 038 $/d	20 784 $/d	15 560 $/d
Opex per day (note 2)	7 210 $/d	7 104 $/d	6 284 $/d	7 157 $/d	6 663 $/d
Onhire days	807	815	790	1 622	1 595
Off-hire days, scheduled	9	-	25	9	25
Off-hire days, unscheduled	2	4	4	6	8
% of days in main combination trades[2]	85 %	92 %	86 %	88 %	80 %
Ballast days in % of total on-hire days	12 %	15 %	12 %	14 %	11 %
Utilisation[3]	94 %	94 %	95 %	94 %	95%

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

Average TCE earnings per on-hire day for the CABU vessels ended at $21,290/day for Q2 2020, an increase of approximately $1,000/day from last quarter and approximately $6,250/day from Q2 2019, which is the strongest average TCE earnings per on-hire day since 2015. Due to high caustic soda contract coverage and poor dry bulk and fuel markets, the CABU TCE earnings per on-hire day underperformed somewhat the spot earnings index for standard MR tankers (84%), % of days in main combination trades ended at 85% for the quarter, down from 92% last quarter due to the positioning of one vessel from Atlantic to the Pacific. One vessel, MV Bantry, was docked towards the end of the quarter and was redelivered after the scheduled drydocking in early August after 42 days off-hire.

Operating costs ended at $7,210/day in Q2 2020, quite stable compared to Q1 2020 ($7,104/day), but approximately $920/day higher than the same quarter in 2019 ($6,284/day). The low opex/day for Q2 2019 was mainly a result of periodization effects. Off-hire for second quarter was 11 days, whereof 9 days were scheduled off-hire connected to one drydocking.

THE CLEANBU BUSINESS

(USD/day) / # of days	Q2 2020	Q1 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
Average TCE earnings (note 2)	30 983 $/d	20 932 $/d	12 905 $/d	25 918 $/d	12 255 $/d
Opex per day (note 2)	9 361 $/d	9 198 $/d	14 939 $/d	9 280 $/d	12 055 $/d
Onhire days	264	268	75	532	108
Off-hire days, scheduled	-	-	-	-	-
Off-hire days, unscheduled	9	5	16	14	57
% of days in main combination trades[1]	15 %	68 %	57 %	40 %	70 %
Ballast days in % of total on-hire days	29 %	17 %	75 %	23 %	53 %
Utilisation[2]	99 %	92 %	73 %	96 %	61 %

Average CLEANBU TCE earnings per on-hire day ended at a strong $30,983/day for the quarter, up from $12,905/day in Q2 2019 and $20,932/day in the previous quarter. Q2 2019 was impacted by the initial phase-in of the first CLEANBU vessel. KCC used the booming tanker market in March-May 2020 to secure TC employment for all three CLEANBU vessels in expectation of a strong correction in the tanker market during late spring. Two vessels were fixed for a three months minimum period and one vessel for a minimum period of nine months at attractive levels maintaining strong CLEANBU earnings in the current weak tanker market. While the CLEANBU earnings fell short of the average daily LR1 spot market earnings (67%) in Q2 2020, it is expected to significantly overperform the LR1 tanker earnings over the next quarters.

As a consequence of the chartering out of the three CLEANBUs, the % of days in main combination trades fell to 15% for the quarter. Two of the vessels were redelivered in late July and have resumed trading as combination carriers. The expansion of the CLEANBU combination trading pattern is continuing and the first voyage in two new combi-trades will be completed within early October.

Average operating costs for the CLEANBU vessels ended at $9,361/day for the quarter, somewhat up from last quarter $9,198/day and down from $14,939/day for Q2 2019. Operating costs have been quite volatile over the last year due to costs related to the phase-in of the newbuilds. The CLEANBU fleet had in total 9 days off-hire in second quarter, up from 5 unscheduled off-hire days in the previous quarter and down from 16 unscheduled off-hire days in Q2 2019.

CAPITAL AND FINANCING

A sustainability linked bank facility for the financing of the two newbuilds with delivery in 2021 was signed 2 July 2020, hence KCC's capital commitments are fully funded. The first mortgage debt facility matures in March 2022. During second quarter the existing bank facilities have been amended, mainly to align the financial covenants and provide guarantee from Klaveness Combination Carriers ASA. In relation to the amendments, the equity covenants on ship owning level have been removed and the NIBD/EBITDA covenant on the ship owning level has improved as the maximum level has increased from 5x to 7x for the entire debt facility tenors and the level can in addition be above 7x for one reporting period (six months).

The KCC04 bond issued in February 2020 was listed on Oslo Stock Exchange in May.

The equity ratio was quite stable compared to first quarter and ended at 44% per end of second quarter. Cash and cash equivalents ended at USD 72.2 million, quite stable compared to end of first quarter (USD 71.9 million as reported in the cash flow statement when not including drawdown on overdraft facility). Total interest-bearing debt ended the quarter at USD 243.6 million, down from USD 247.9 million at the end of Q1 2020.

Net cash flow from operating activities was USD 22.7 million in Q2 mainly due to a strong EBITDA of USD 15.7 million and a USD 6.9 million positive change in working capital. Net cash flow from investments was negative USD 16.2 million and mainly consists of yard instalments related to newbuilds. Net cash flow from financing activities was negative USD 6.2 million and mainly consists of scheduled repayment of mortgage debt and interest costs, partly offset by positive effects due to release of cash collateral provided to banks in relation to financial derivatives.

FLEET

The fleet consists of nine CABU and four CLEANBU combination carriers, with another four CLEANBU vessels on order. KCC has four individual fixed price options with expiry in the period between October 2020 and January 2021 with scheduled delivery in 2022.

The fourth CLEANBU vessel, MV Baleen, was delivered on 4 August. Due to current Chinese travel restrictions related to COVID-19, it has become impossible to bring our crews into the shipyard in China. Hence, a Chinese crew has been employed to position the vessel to Korea where a crew change will be made. Travel restrictions and quarantine regulations will delay the start of trading and currently the vessel is expected to load its first cargo in the second half of September. The four subsequent newbuilds are expected to be delivered in the period October 2020 to March 2021. The delivery dates are uncertain and additional delays might occur. Take-over procedure for the these four vessels have not yet been decided, but similar procedures are planned for the next vessel deliveries in 2020 leading to delays and additional costs.

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

In July, two cases of COVID-19 were confirmed onboard one of the CABU vessels. After quarantine of the affected crew, consistent negative results from repetitive COVID-19 testing of the entire crew and complete cleaning and the disinfection of the vessel's accommodation, the vessel recommenced trading in early August after 14 days off-hire. Total financial effect on the Q3 2020 results from this incident will likely be around USD 0.4 million including loss from the re-let of the caustic soda cargo, off-hire, rescheduling and additional costs relating to the crew.

It continues to be difficult to make crew changes, get ship managers, service personnel and vetting inspectors on board. It has also been necessary to deviate vessels to get supplies on board and make crew changes, leading to off-hire and additional costs. These factors have so far had limited impact on the operation of the vessels and have had limited financial impact in Q2.There are outstanding guarantee items relating to two of the CLEANBU vessels on water, MV Barracuda and MV Barramundi, implying off-hire and possibly related costs. MV Baru and the subsequent five newbuilds under construction have no similar issues. The repairs are targeted to be made for one vessel in Q4 2020 and for the other vessel during first half 2021. These guarantee items are not linked to the combination carrier concept or trading capabilities of the vessels and are not expected to materially impact the vessels performance until being rectified.

One CABU vessel has been through periodic dry docking from late June to early August and two additional CABU vessels are scheduled for periodic drydocking in 2020. Two out of the three vessels will install BWTS in relation to the drydocking. As part of KCC's initiatives to improve the energy efficiency of its fleet and to reach its decarbonization targets, KCC will amongst others invest in fuel saving silicone antifouling coating as well ultrasonic protection system to protect propellers from marine growth.

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.

Fig. 1: Product tanker market

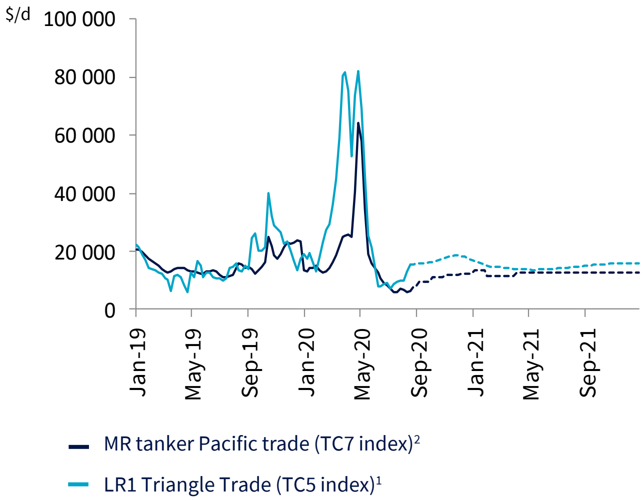


Fig. 2: Dry bulk market

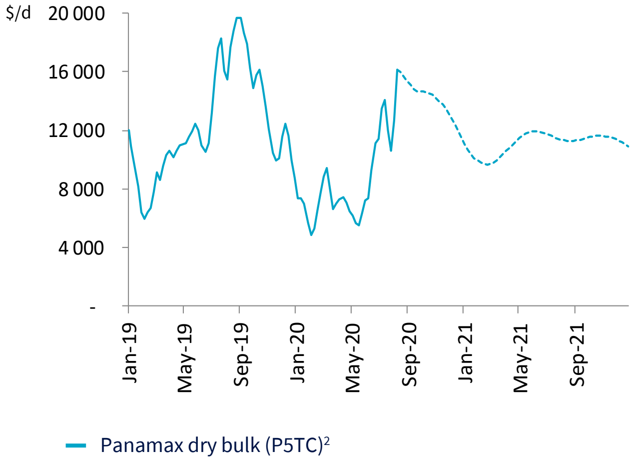


Fig. 3: Fuel market

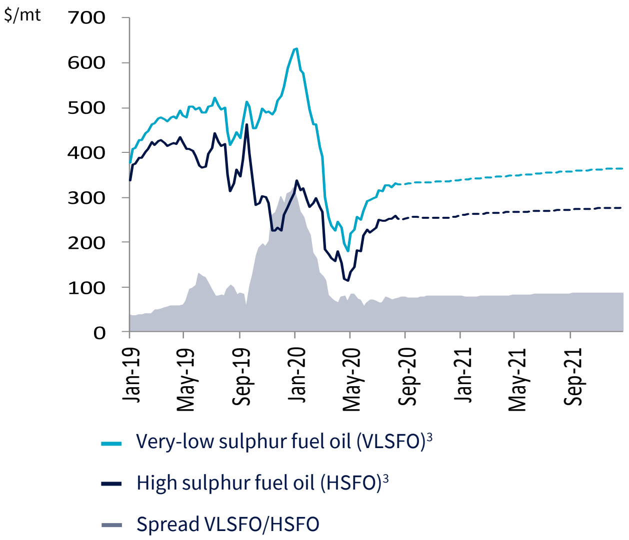
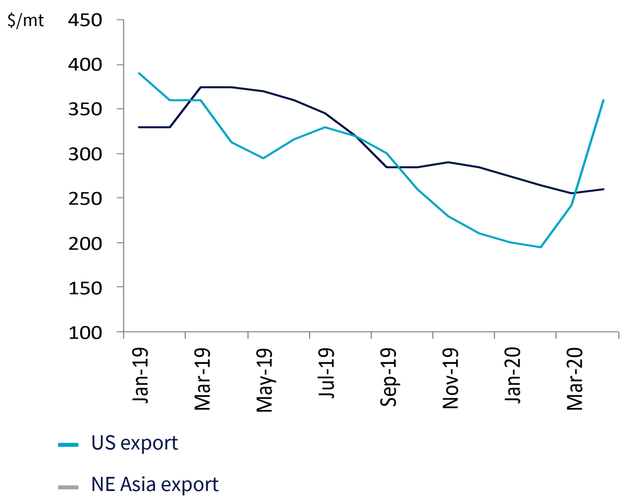


Fig. 4: Caustic Soda prices



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*

Due to the COVID-19 situation, the normal dry bulk market seasonal upturn in second quarter did not materialize, with the P5TC Panamax index averaging at low levels in April and May, $7,060/day and $5,900/day respectively. However, from early June the dry bulk market improved significantly, with the index climbing to $11,300/day at the end of June, mainly due to the world economy carefully treading out of the COVID-19 difficulties. More specifically, Panamax rates have got help from soaring Capesize rates due to increased iron ore volumes from Brazil and Australia to China. The nominal fleet growth in second quarter was 4.2% year-on-year, the highest since first quarter 2015.

Third quarter has so far been pleasant compared to the two previous quarters, with the P5TC panamax index averaging at $12,400/day in July. The FFA market prices for August and September 2020 are at $14,600/day, a near doubling from Q2 rates. The outlook for China iron ore demand looks strong going forward and the world economy will likely gradually continue to pick up from pandemic-induced depths positively impacting e.g. coal trade. A possible normalization of US-China grain trade will give additional support to the dry bulk market. A possible wide-spread resumption of lock downs following possible upticks in COVID-19 cases, however, continues to pose a risk for the world economy and the dry bulk market.

The product tanker market started the quarter on a strong note with spot LR1 TCE rates at around $40,000/day, as measured by the Baltic TC5 index. Lower energy demand curtailed by COVID-19, as well as increased oil supply caused by the Saudi Russian oil price war resulted in a dramatic mismatch between supply and demand and led to a substantial increase in floating storage and port congestion. These factors helped drive the LR1 TCE-rates to a high of around $110,000/day by late April. During May and June these factors became less pressing as the oil markets stabilized and tanker rates tumbled from mid May through June and July to around $4,800/day at 10 August. It is expected that product tanker rates will remain weak the coming months due to oil production curtailments, low global oil demand, reduced refinery runs and reduced floating storage demand.

The US caustic soda market has rebalanced this summer. Chlorine demand has picked up due to uptick in construction activity leading to higher chlor alkali operating rates and more caustic soda supply leading to a considerable fall in US caustic soda export prices during the summer. Asian producers have kept operating rates at high levels amid firm PVC market with caustic soda prices weakening somewhat over the recent months Despite US caustic soda prices remain substantially above prices in Asia, we still see “off-market” sales from US to Australia taking place.

Brent crude oil prices increased by 80% from around $23/barrel to $41/barrel. Fuel oil prices increased by around 24% quarter-on-quarter.

HEALTH, SAFETY AND ENVIRONMENT

HEALTH AND SAFETY

Safety is KCC’s priority number one and to the Board’s satisfaction there were no major or medium incidents and no navigational incidents in Q2 2020. During a discharge operation, one of the vessels experienced a leakage onto the deck. The leakage was limited and discharging was stopped immediately, however, due to heavy rain it was not possible to stop it from reaching the water. The incident has been investigated and procedures have been evaluated.

Two of the crew on one vessel were confirmed positive with COVID-19 in July. All other crew were tested several times and quarantined until negative results were reported and the confirmed positive persons were signed off and isolated until no longer being infectious. The implemented procedures in relation to a situation with crew testing positive worked as intended and the vessel was back in trading in early August. Testing and quarantine procedures of on-signing crew, however, have been further improved in August and will be under continuous evaluation.

It continues to be difficult to make crew changes and despite significant efforts, including deviation of five vessels to Manila Bay for changes of Filipino crew. Only around 53% of normal scheduled Filipino crew change have been possible since the start of the COVID-19, while 90% of planned crew changes for Europeans have succeeded. Risk of crew fatigue is high and the ship manager, Klaveness Ship Management, has strong focus on the implications of the COVID-19 situation for crew and vessels and continuously considers implementing additional measures.

HEALTH & SAFETY KPI'S	Q2 2020	Q1 2020	Q2 2019	Q2 2020 YTD	Q2 2019 YTD
# of medium* injuries	-	3	1	3	2
# of major** injuries	-	-	-	-	-
# of navigational incidents	-	-	1	-	1
# of spills to the environment	1	-	-	1	-

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

***Major = Severe injury or death*

ENVIRONMENT

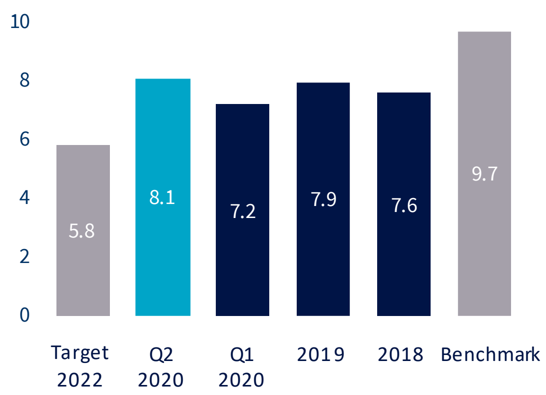
KCC is taking all possible technical and operational precautions to protect the environment and as a minimum complying with all requirements in the International Safety Management Code (ISM-code) and the MARPOL-convention.

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 10-15% 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.

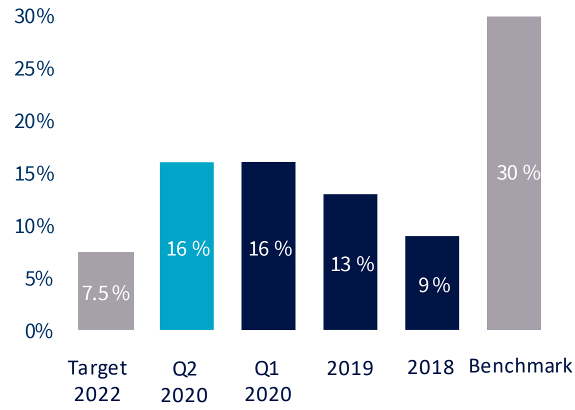
In July, KCC signed a sustainability linked bank facility to part finance the two newbuilds with delivery in 2021. The pricing of the facility is linked to the two environmental KPIs, EEOI and CO2 emissions per vessel, and is based on the ambitious emissions targets of the company.

KCC's environmental performance as expressed by its main environmental KPIs had mixed results in Q2 2020. CO_2 emissions per ton transported cargo per nautical mile (EEOI) ended at 8.1 for second quarter, up from 7.2 in first quarter. The three CLEANBU vessels were employed on TC contracts with no combination trading, impacting the EEOI negatively. Average CO_2 emission per vessel had on the other hand a positive development and ended at 20,100 mt down from to 23,000 mt in first quarter. In addition to some more days waiting and using a limited amount of fuel in relation to the CLEANBU TC contracts, the decrease is partly due to periodization effects negatively impacting Q1.

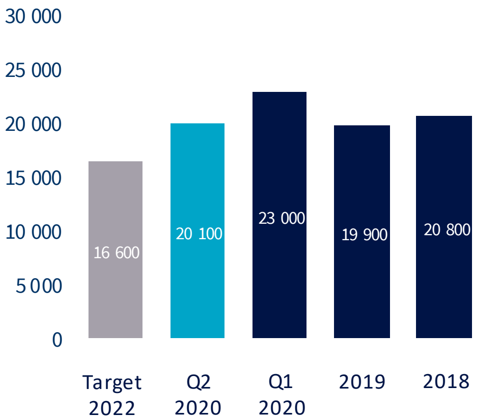
CO_2 emission per ton transported cargo per nautical mile (EEOI)[1,2]



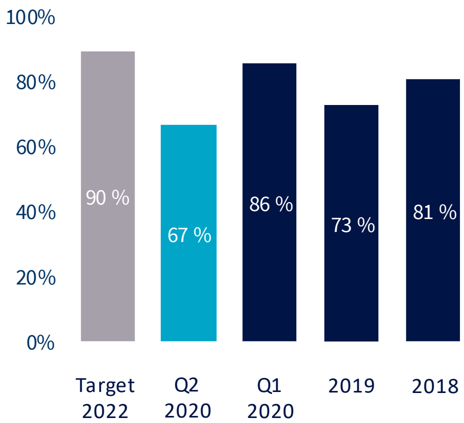
Ballast days in % of total on-hire days[2]



Average CO_2 emission per vessel[3]



% of days in main combination trades[4]



OUTLOOK AND SUBSEQUENT EVENTS

The earnings outlook for second half 2020 is positive for both the CABU and CLEANBU fleet albeit at a lower level than reported for first half 2020. The outlook is supported by secured COA and TC contracts, partly secured at strong tanker market levels in Q1/Q2 2020, and a stronger dry bulk market. 79% of the operational tanker market exposure for 2H 2020 has been secured (70% fixed rate) and 27% for 1H 2021 (15% fixed rate).

The situation related to the COVID-19 virus is uncertain. The virus has serious negative effects on the world economy which again negatively impacts demand in the dry bulk, tanker and fuel markets driving the earnings of KCC's fleet. While renewed regional spread of the COVID-19 decease and periodical lockdowns and economic disruptions are likely to occur, the underlying world economic development is likely positive over the coming quarters. Once the world economy gets up to speed, there should be a considerable upside potential in the tanker, dry bulk and fuel markets. KCC's contract coverage and trading pattern with exposure to three markets make KCC more resilient to demand shocks compared to many other players in the standard tanker and dry bulk market. However, negative consequences on KCC's earnings may occur as a result of lower activity in the shipping markets going forward. The COVID-19 situation has negative operational effects as well, mainly related to delivery of newbuilds and crew changes, and there are no indications that this will improve over the next months. In addition, future COVID-19 cases might occur onboard, resulting in off-hire and negative financial effects.

1 *EEOI (Energy Efficiency Operational Index) is defined by IMO and represents CO_2 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 the combination carriers have substantially lower ballast than standard vessels. As the fleet is relatively small, the reported EEOI is sensitive to temporary trade disruptions with trading the vessels as standard vessels with "normal ballast" as well as one or two longer ballast voyages e.g. when positioning CABU vessels to/from trading in Americas. These variations are evident when we look at the historical numbers, but will most likely be more stable when we have a larger fleet. Prior to 2020, end date of a voyage is decisive for which period EEOI for a voyage is included. From 2020 and onwards, reporting system provider was changed so that we are able to calculate EEOI on a per day basis, allocated to the corresponding quarter.*

2 *Benchmark: The EEOI and % ballast for "Benchmark standard vessels" are calculated based on standard vessels (panamax/kamsarmax 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. There is a degree of uncertainty related to the benchmark values as these are estimated using data from Baltic Exchange and AXSmarine.*

3 *CO_2 emissions – average per vessels = total emissions/vessel years. Vessel years = days available – offhire days. Quarterly figures are annualized. When new vessels are delivered to the fleet, the vessel years are calculated from the date the vessel is delivered. Prior to 2020, end date for a voyage was decisive for which period emission was included. From 2020 and onwards, reporting system provider was changed so that we are able to calculate emissions on a per day basis, allocated to the corresponding quarter.*

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.*

Four more CLEANBU vessels are delivered in 2020 and 2021 and the CLEANBU earnings are dependent on a continued expansion of both the CLEANBU combination trading pattern and the number of CPP customers as well as a consistent strong vetting and technical performance. The three CLEANBUs have during the TC-employments built extensive tanker market and terminal track record and the two CLEANBUs redelivered from TC in late July will complete two new dry bulk/CPP combination trades during the period August-early October.

RESPONSIBILITY STATEMENT BY THE BOARD AND CEO

The Board and CEO have reviewed and approved the condensed financial statements for the period 1 January to 30 June 2020. To the best of our knowledge, we confirm that:

- The condensed financial statements for the period 1 January to 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Statements.
- The information presented in the condensed financial statements gives a true and fair view of the company's assets, liabilities, financial position and profit.
- The management report includes a fair review of important events that have occurred during the period and their impact on the consolidated financial statements and a description of the principal risks and uncertainties for the period.
- The information presented in the condensed interim financial statements gives a true and fair view on related-party transactions.

Oslo, 18 August 2020

The Board of Directors of

Klaveness Combination Carriers ASA

Lasse Kristoffersen **Chairman of the Board**	**Magne Øvreås** **Board member**	**Morten Skedsmo** **Board member**
Lori Wheeler Næss **Board member**	**Rebekka Glasser Herlofsen** **Board member**	**Engebret Dahm** **CEO**

INCOME STATEMENT

USD'000	Notes	Quarter ended Unaudited 30 Jun 2020	 Unaudited 30 Jun 2019	YTD Unaudited 30 Jun 2020	 Unaudited 30 Jun 2019	Year ended Audited 31 Dec 2019
Freight revenue	3	32 506	31 774	76 483	60 081	130 768
Charter hire revenue	3	7 525	349	8 286	581	5 752
Total revenues, vessels		**40 031**	**32 122**	**84 769**	**60 663**	**136 521**
Voyage expenses		(14 525)	(19 515)	(36 860)	(34 730)	(75 194)
Net revenues from operations of vessels		**25 506**	**12 607**	**47 909**	**25 933**	**61 327**
Operating expenses, vessels		(8 493)	(6 875)	(16 746)	(13 837)	(29 913)
Group commercial and administrative services	9	(776)	(1 067)	(1 601)	(2 328)	(4 396)
Salaries and social expense	9	(280)	-	(514)	-	-
Tonnage tax		(48)	(38)	(57)	(74)	(163)
Other operating and administrative expenses		(189)	(401)	(446)	(731)	(1 093)
Operating profit before depreciation (EBITDA)		**15 720**	**4 227**	**28 545**	**8 963**	**25 763**
Ordinary depreciation	4	(4 358)	(3 142)	(8 711)	(5 920)	(14 070)
Operating profit after depreciation (EBIT)		**11 362**	**1 085**	**19 834**	**3 043**	**11 692**
Finance income	7	183	815	307	1 545	3 024
Finance costs	7	(3 186)	(3 776)	(7 468)	(7 268)	(14 105)
Profit before tax (EBT)		**8 359**	**(1 876)**	**12 673**	**(2 680)**	**612**
Income tax expenses		-	-	-	-	(15)
Profit after tax		**8 359**	**(1 876)**	**12 673**	**(2 680)**	**597**
Attributable to:						
Equity holders of the parent company		8 359	(1 876)	12 673	(2 680)	597
Total		**8 359**	**(1 876)**	**12 673**	**(2 680)**	**597**
Earnings per Share (EPS):						
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		**0.17**	**(0.04)**	**0.26**	**(0.06)**	**0.01**

STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		YTD		Year ended
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
USD '000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Profit/ (loss) of the period	**8 359**	**(1 876)**	**12 673**	**(2 680)**	**597**
Other comprehensive income to be reclassified to profit or loss					
Net movement fair value on cross-currency interest rate swaps (CCIRS)	1 550	(14)	(8 022)	105	(1 438)
Reclassification to profit and loss (CCIRS)	(1 715)	(72)	3 960	211	1 347
Net movement fair value on interest rate swaps	(938)	(423)	(3 814)	(692)	(686)
Net movement fair value FX hedge	-	30	-	(14)	38
Net movement fair value bunker hedge	743	(323)	(409)	647	918
Net movement fair value FFA hedge	134	(774)	(398)	212	85
Net other comprehensive income to be reclassified to profit or loss	**(226)**	**(1 575)**	**(8 683)**	**470**	**265**
Other comprehensive income/(loss) for the period, net of tax	**(226)**	**(1 575)**	**(8 683)**	**470**	**265**
Total comprehensive income/(loss) for the period, net of tax	**8 133**	**(3 452)**	**3 990**	**(2 210)**	**862**
Attributable to:					
Equity holders of the parent company	8 133	(3 452)	3 990	(2 210)	862
Total	**8 133**	**(3 452)**	**3 990**	**(2 210)**	**862**

STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 30 Jun 2020	Audited 31 Dec 2019
Non-current assets			
Vessels	4	307 247	315 208
Newbuilding contracts	5	83 800	62 316
Right of-use assets		1 550	1 765
Long-term financial assets	6	462	202
Long-term receivables	9	70	-
Total non-current assets		**393 130**	**379 490**
Current assets			
Short-term financial assets	6	691	1 077
Inventories		4 300	7 163
Trade receivables and other current assets		15 401	14 313
Short-term receivables from related parties		60	130
Cash and cash equivalents		72 232	57 089
Total current assets		**92 685**	**79 772**
TOTAL ASSETS		**485 814**	**459 262**

EQUITY AND LIABILITIES		Unaudited 30 Jun 2020	Audited 31 Dec 2019
Equity			
Share capital	8	5 725	5 725
Share premium		130 155	130 155
Other reserves		(8 386)	316
Retained earnings		88 452	77 681
Total equity		**215 946**	**213 878**
Non-current liabilities			
Mortgage debt	6	160 738	169 304
Long-term financial liabilities	6	12 685	3 626
Long-term lease liabilities		1 182	1 395
Bond loan	6	50 877	33 836
Total non-current liabilities		**225 482**	**208 161**
Current liabilities			
Short-term mortgage debt	6	17 367	17 367
Other interest bearing liabilities	6	8	1 835
Short-term financial liabilities	6	415	-
Short-term lease liabilities		417	407
Short-term bond loan	6	14 621	-
Trade and other payables		11 091	16 841
Short-term debt to related parties		311	617
Tax liabilities		156	157
Total current liabilities		**44 385**	**37 223**
TOTAL EQUITY AND LIABILITIES		**485 814**	**459 262**

Oslo, 18 August 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	**Rebekka Glasser Herlofsen**	**Engebret Dahm**
Board member	**Board member**	**CEO**

STATEMENT OF CHANGES IN EQUITY

(Figures in USD '000)

	Attributable to equity holders of the parent					
Unaudited 2020	**Share capital**	**Other paid in capital**	**Treasury Shares**	**Hedging reserve**	**Retained earnings**	**Total**
Equity 1 January 2020	**5 725**	**130 155**	**-**	**316**	**77 681**	**213 878**
Profit (loss) for the period	-	-	-	-	12 673	**12 673**
Other comprehensive income for the period	-	-	-	(8 683)	-	**(8 683)**
Purchase of own shares	-	-	(19)	-	-	**(19)**
Share option program	-	-	-	-	19	**19**
Dividends	-	-	-	-	(1 921)	**(1 921)**
Equity at 30 June 2020	**5 725**	**130 155**	**(19)**	**(8 367)**	**88 452**	**215 946**

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

Audited 2019	**Share capital**	**Other paid in capital**	**Treasury Shares**	**Hedging reserve**	**Retained earnings**	**Total**
Equity 1 January 2019	**4 863**	**92 271**	**-**	**51**	**80 901**	**178 086**
Profit (loss) for the period	-	-	-	-	597	**597**
Other comprehensive income for the period	-	-	-	265	-	**265**
Dividends	-	-	-	-	(3 820)	**(3 820)**
Capital increase (May 20, 2019)	845	37 080	-	-	-	**37 925**
Capital increase (June 21, 2019)	17	805	-	-	-	**822**
Share option program	-	-	-	-	3	**3**
Equity at 31 December 2019	**5 725**	**130 155**	**-**	**316**	**77 681**	**213 878**

CASH FLOW STATEMENT

(Figures in USD '000)

		Quarter ended		YTD		Year ended
		Unaudited	Unaudited	Unaudited	Unaudited	Audited
	Notes	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Profit before tax		8 359	(1 876)	12 673	(2 680)	612
Tonnage tax expensed		48	38	57	74	163
Ordinary depreciation	4	4 358	3 142	8 711	5 920	14 070
Amortization of upfront fees bank loans		131	77	346	154	373
Financial derivatives unrealised loss / gain (-)	6	21	660	(733)	1 119	3 681
Gain/loss on foreign exchange		(132)	473	123	473	(1 074)
Interest income	7	(20)	(554)	(251)	(1 095)	(1 885)
Interest expenses	7	2 989	2 272	5 975	4 566	9 889
Taxes paid for the period		-	-	-	(45)	(46)
Change in current assets		7 777	(4 937)	1 845	(4 525)	(5 090)
Change in current liabilities**		(886)	583	(5 893)	(537)	9 294
Interest received	7	20	554	251	1 095	1 885
A: Net cash flow from operating activities		**22 666**	**432**	**23 105**	**4 520**	**31 873**
Acquisition of tangible assets	4	(373)	(466)	(535)	(986)	(6 010)
Installments and other cost on newbuilding contracts**	5	(15 826)	(9 971)	(21 484)	(56 026)	(158 285)
B: Net cash flow from investment activities		**(16 199)**	**(10 437)**	**(22 019)**	**(57 013)**	**(164 295)**
Proceeds from mortgage debt		-	31 000	-	62 000	93 000
Net proceeds from bond loan		-	-	-	(630)	(630)
Proceeds from bond loan (KCC04)	6	-	-	54 028	-	-
Buyback of bond loan (KCC03)	6	-	-	(17 879)	-	-
Transaction costs on issuance of loans	6	-	-	(870)	(454)	(1 596)
Repayment of mortgage debt	6	(4 342)	(3 481)	(8 684)	(6 531)	(13 923)
Terminated financial instruments		-	-	(3 101)	-	-
Collateral paid/refunded on financial instruments		2 910	-	-	-	-
Interest paid	7	(3 185)	(2 147)	(5 453)	(3 865)	(9 014)
Repayment of financial lease liabilities		(108)	(90)	(216)	(179)	(385)
Purchase of own shares		(11)	-	(19)	-	-
Capital increase May 20, 2019		-	40 096	-	40 096	40 096
Transaction costs on capital increase		-	(1 035)	-	(1 035)	(2 147)
Dividends		(1 441)	(2 854)	(1 921)	(2 854)	(3 814)
C: Net cash flow from financing activities		**(6 177)**	**61 490**	**15 885**	**86 548**	**101 587**
Net change in liquidity in the period (A + B + C)		**291**	**51 485**	**16 971**	**34 055**	**(30 836)**
Cash and cash equivalents at beginning of period		71 934	68 660	55 254	86 090	86 090
Cash and cash equivalents at end of period*		72 225	120 145	72 225	120 145	55 254
Net change in cash and cash equivalents in the period		**291**	**51 485**	**16 971**	**34 055**	**(30 836)**
*Reconciliation of cash and cash equivalents presented in cash flow statement						
Cash and cash equivalents		72 232	127 996	72 232	127 996	57 089
Other interest bearing liabilities (overdraft facility)		8	7 851	8	7 851	1 835
Cash and cash equivalents (as presented in cash flow statement)		72 225	120 145	72 225	120 145	55 254

** Yard installment of USD 4.7 million paid in January 2020 is included in YTD Q2-20 as change in working capital and not as installment paid/cash flow from investment activitites as milestone was completed in December 2019.

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 dry bulk, 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, vessels with capacity to transport caustic soda (CSS), floating fertilizer (UAN) and molasses as well as all dry bulk commodities. In addition, the Group has four CLEANBU vessels in operation and four CLEANBU newbuildings with estimated delivery between 2H 2020 and 1H 2021. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

ACCOUNTING POLICIES

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the Europen Union and are based on IAS 34 *Interim Financial Reporting*. The interim condensed financial statements of the Group should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS, as adopted by the European Union.

Tax

During second quarter 2020, the three CLEANBU vessels owned by KCC Shipowning AS was sold to KCC KBA AS, which are subject to ordinary Norwegian taxation. The Group expect no income tax to be recognized in 2020. The internal sale has no material effect on Group accounts.

NEW ACCOUNTING POLICIES

Treasury shares

Where KCC has acquired own shares under a share buy-back program, the amount of consideration paid, including directly attributable costs, is recognized as a change in equity and classified as treasury shares. No gain or loss is recognized in profit and loss on the purchase, sale, issue, reissue or cancellation of KCC’s own equity instruments.

NEW ACCOUNTING STANDARDS

The accounting policies adopted in the 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 2019 except for the adoption of new accounting standards or amendments with effective date after 1 January 2020. There was no material impact of new accounting standards or amendments adopted by the period

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, four CLEANBUs on water and four CLEANBUs on order with expected deliveries through 2020 and 2021. The fourth CLEANBU vessel was delivered in August 2020.

The 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.

Operating income and operating expenses per segment						
		Q2 2020			Q2 2019	
(USD'000)	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Operating revenue, vessels	30 640	9 391	40 031	30 290	1 832	32 122
Voyage expenses	(13 718)	(807)	(14 525)	(18 648)	(867)	(19 515)
Net revenue	**16 922**	**8 584**	**25 506**	**11 643**	**965**	**12 607**
Operating expenses, vessels	(5 824)	(2 669)	(8 493)	(5 147)	(1 728)	(6 875)
Group administrative services	(532)	(244)	(776)	(800)	(267)	(1 067)
Salaries and social expense	(192)	(88)	(280)	-	-	-
Tonnage tax	(32)	(16)	(48)	(34)	(4)	(38)
Other operating and administrative expenses	(129)	(59)	(189)	(301)	(100)	(401)
Operating profit before depreciation (EBITDA)	**10 212**	**5 508**	**15 720**	**5 361**	**(1 135)**	**4 226**
Ordinary depreciation	(2 820)	(1 538)	(4 358)	(2 636)	(506)	(3 142)
Operating profit after depreciation (EBIT)	**7 391**	**3 970**	**11 363**	**2 724**	**(1 641)**	**1 085**

Reconciliation of average revenue per onhire day (TCE earnings USD/day)						
		Q2 2020			Q2 2019	
(USD'000)	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Net revenues from operations of vessels	16 922	8 584	25 506	11 643	965	12 607
IFRS 15 adjustment*	255	(271)	(15)	237	-	237
Offhire compensation	-	(134)	(134)	-	-	-
Net revenue ex IFRS adjustment	17 176	8 179	25 357	11 880	965	12 844
Onhire days	807	264	1 071	790	75	865
Average TCE earnings per onhire day ($/d)	**21 290**	**30 983**	**23 679**	**15 038**	**12 905**	**14 854**

Reconciliation of opex per day						
		Q2 2020			Q2 2019	
(USD'000)	CABU	CLEANBU	Total	CABU	CLEANBU	Total
Operating expenses, vessels	5 824	2 669	8 493	5 147	1 728	6 875
Leasing cost previously presented as opex	81	27	108	-	-	-
Start up cost CLEANBU vessels	-	(140)	(140)	-	(369)	(369)
Operating expenses, vessels adjusted	5 905	2 556	8 461	5 147	1 359	6 506
Operating days	819	273	1 092	819	91	910
Opex per day ($/d)	**7 210**	**9 361**	**7 748**	6 284	14 939	7 150

* 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

(USD'000)	Q2 2020 YTD CABU	Q2 2020 YTD CLEANBU	Q2 2020 YTD Total	Q2 2019 YTD CABU	Q2 2019 YTD CLEANBU	Q2 2019 YTD Total
Operating revenue, vessels	65 439	19 330	84 769	58 182	2 481	60 663
Voyage expenses	(32 067)	(4 793)	(36 860)	(33 572)	(1 158)	(34 730)
Net revenue	**33 371**	**14 537**	**47 909**	**24 610**	**1 324**	**25 933**
Operating expenses, vessels	(11 562)	(5 184)	(16 746)	(10 854)	(2 984)	(13 837)
Group administrative services	(1 106)	(495)	(1 601)	(2 095)	(233)	(2 328)
Salaries and social expense	(355)	(159)	(514)	-	-	-
Tonnage tax	(39)	(17)	(57)	(67)	(7)	(74)
Other operating and administrative expenses	(308)	(138)	(446)	(548)	(183)	(731)
Operating profit before depreciation (EBITDA)	**20 001**	**8 543**	**28 545**	**11 046**	**(2 083)**	**8 963**
Ordinary depreciation	(5 637)	(3 075)	(8 711)	(4 925)	(995)	(5 920)
Operating profit after depreciation (EBIT)	**14 364**	**5 469**	**19 834**	**6 120**	**(3 078)**	**3 043**

Reconciliation of average revenue per onhire day (TCE earnings USD/day)

(USD'000)	Q2 2020 YTD CABU	Q2 2020 YTD CLEANBU	Q2 2020 YTD Total	Q2 2019 YTD CABU	Q2 2019 YTD CLEANBU	Q2 2019 YTD Total
Net revenues from operations of vessels	33 375	14 537	47 909	24 610	1 324	25 933
IFRS 15 adjustment*	335	(611)	(276)	(209)	-	(209)
Net revenue ex IFRS adjustment	33 709	13 927	47 633	24 818	1 324	26 142
Onhire days	1 622	532	2 154	1 595	108	1 703
Average TCE earnings per onhire day ($/d)	**20 784**	**25 918**	**22 111**	**15 560**	**12 255**	**15 350**

Reconciliation of opex per day

(USD'000)	Q2 2020 YTD CABU	Q2 2020 YTD CLEANBU	Q2 2020 YTD Total	Q2 2019 YTD CABU	Q2 2019 YTD CLEANBU	Q2 2019 YTD Total
Operating expenses, vessels	11 562	5 184	16 746	10 854	2 984	13 837
Leasing cost previously presented as opex	161	54	215	-	-	-
Start up cost CLEANBU vessels	-	(171)	(171)	-	(922)	(922)
Operating expenses, vessels adjusted	11 723	5 067	16 790	10 854	2 061	12 915
Operating days	1 638	546	2 184	1 629	171	1 800
Opex per day ($/d)	**7 157**	**9 280**	**7 689**	6 663	12 055	7 175

Operating income and operating expenses per segment

(USD'000)	2019 CABU	2019 CLEANBU	2019 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)
Other operating and administrative expenses	(795)	(298)	(1 093)
Operating profit before depreciation (EBITDA)	**27 283**	**(1 520)**	**25 763**
Ordinary depreciation	(10 706)	(3 364)	(14 070)
Operating profit after depreciation (EBIT)	**16 577**	**(4 884)**	**11 694**

Reconciliation of average revenue per onhire day (TCE earnings USD/day)		2019	
(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	62 022
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		2019	
(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 COA contracts (1-3 years), spot voyages and TC contracts. Set out below is the disaggregation of the Group's revenue from contracts with customers.

Revenue types		Quarter ended		YTD		Year ended
USD'000	Classification	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Revenue from COAs	Freight revenue	23 744	19 281	54 817	39 290	98 110
Revenue from spot voyages	Freight revenue	8 762	12 493	21 666	20 791	32 658
Revenue from TC contracts	Charter hire revenue	7 391	349	8 152	581	5 752
Other revenue	Charter hire revenue	134	-	134	-	-
Total revenue, vessels		**40 031**	**32 122**	**84 769**	**60 663**	**136 521**

04 Vessels

Vessels (USD '000)	30 Jun 2020	31 Dec 2019
Cost price 1.1	492 075	330 218
Delivery of newbuildings	-	155 847
Additions (mainly upgrading and docking of vessels)	535	6 010
Costprice end of period	**492 610**	**492 075**
Acc. Depreciation 1.1	176 866	163 181
Depreciation for the period	8 496	13 685
Acc. Depreciation end of period	**185 362**	**176 866**
Carrying amounts end of period*	**307 247**	**315 208**
*carrying value of vessels includes dry-docking		
No. of vessels	12	12
Useful life	25	25
Depreciation schedule	Straight-line	Straight-line

Reconciliation of depreciations	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Depreciation vessels	4 250	3 057	8 496	5 741	13 685
Depreciation right of use assets	108	85	215	179	385
Depreciations for the period	**4 358**	**3 142**	**8 711**	**5 920**	**14 070**

IMPAIRMENT ASSESSMENT

Identification of impairment indicators is based on an asessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. Despite all uncertainties following Covid-19, solid TCE earnings for Q2 for both the fleet of CABUs and the fleet of CLEANBUs and high contract coverage for 2020 supports the conclusion of no impairment indicators identified as per 30 June 2020.

05 Newbuildings

As per 30 June 2020, the Group has five CLEANBU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in the period 2H 2020 and 1H 2021. The contracts include options for further four vessels. One vessel was delivered 4 August 2020 (note 10)

The fleet of newbuildings are fully financed (note 6).

(USD '000)	30 Jun 2020	31 Dec 2019
Cost 1.1	62 316	59 877
Borrowing cost	431	1 302
Yard installments paid	18 950	148 170
Other capitalized cost	2 103	8 813
Delivery of newbuilings	-	(155 847)
Net carrying amount	**83 800**	**62 316**

CAPITAL COMMITMENT

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

Remaining installments at 30 June 2020 (USD '000)	2020	2021	Total
Combination carriers	92 650	65 100	157 750
Total commitments newbuildings	**92 650**	**65 100**	**157 750**

06 Financial assets and liabilities

The below tables present the Group's financing arrangements as per 30 June 2020.

During Q2 2020 KCC Shipowning AS (as borrower) and Klaveness Combination Carriers ASA (as guarantor) signed amended agreements to include Klaveness Combination Carriers ASA as guarantor in all mortgage debt agreements. Under the amended agreements Klaveness Combination Carriers ASA (KCC) and KCC Shipowning AS will be subject to certain financial covenants. KCC (measured on Group level) will be subject to minimum equity (USD 125 million), equity ratio (30%), and cash (USD 15 million) covenants aligned with the financial covenants in the bond agreements. KCC Shipowning AS will be subject to minimum cash covenant (the higher of USD 10 million and 5 % of net interest-bearing debt) and net interest-bearing debt to EBITDA (NIBD/EBITDA) covenant of max 7x. The NIBD/EBITDA covenant can be above 7x for one reporting period (6 months). As part of the amended agreement, the minimum equity covenant for KCC Shipowning AS was removed and the NIBD/EBITDA covenant was changed (prior to amendment NIBD/EBITDA max 7x in 2020 and 5x thereafter).

During Q2 2020 The Group converted the remaining 20% of the NOK denominated floating rate KCC04 bond loan to fixed rate USD loan.

The KCC03 bond has been categorized as current liabilities as the bond falls due in May 2021. The bond was refinanced in January 2020 and has a call option in November 2020.

(USD '000) Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	81 663
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	97 094
SEB/SR-Bank/SPV Facility*	Term loan/RCF, 90.75 mill	LIBOR + 2.3 %	October 2025	-
Capitalized loan fees				(653)
Mortgage debt 30 June 2020				**178 105**

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

Bond loan	Face value NOK'000	Maturity	Carrying amount 30 Jun 2020 USD'000
KCC03	300 000	27.05.2021	35 370
Buyback KCC03 (Q1 2020)	(158 000)		(18 628)
Exchange rate adjustment			(2 066)
Capitalized expenses			(55)
Sum KCC03			**14 621**
KCC04	500 000	11.02.2025	54 028
Exchange rate adjustment			(2 352)
Capitalized expenses			(798)
Sum KCC04			**50 877**
Total bond loan	**642 000**		**65 498**

(USD '000) Interest bearing liabilities	Fair value 30 Jun 2020	Carrying amount 30 Jun 2020	Carrying amount 31 Dec 2019
Mortgage debt	161 391	161 391	170 074
Capitalized loan fees	-	(653)	(770)
Bond loan	51 675	51 675	34 023
Capitalized expenses bond loan	-	(798)	(187)
Total non-current interest bearing liabilties	**213 066**	**211 615**	**203 139**
Mortgage debt, current	17 367	17 367	17 367
Bond loan, current	14 637	14 676	-
Capitalized expenses bond loan current	-	(55)	-
Overdraft facility (Secured)	8	8	1 835
Total interest bearing liabilities	**245 077**	**243 611**	**222 341**

MATURITY PROFILE TO FINANCIAL LIABILITIES AT 30 JUNE 2020

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

(USD '000) Maturity profile financial liabilities at 30 Jun 2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	(23 048)	(94 940)	(77 031)	-	(195 019)
Bond loan (incl interest)	(18 757)	(7 006)	(58 697)	-	(84 460)
Total	**(41 805)**	**(101 946)**	**(135 729)**	**-**	**(279 480)**

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

COVENANTS

As per 30 June 2020, 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 AS level relate to minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net interest-bearing debt to EBITDA (NIBD/EBITDA) of max 7x. The NIBD/EBITDA ratio can be higher than 7x for one reporting period (measured semi-annually) provided that the NIBD/EBITDA is below 7x in the previous reporting period. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Financial assets (USD '000)	30 Jun 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Interest rate swaps	461	-
Forward freight agreements	691	1 056
Financial instruments at fair value through P&L	-	-
Forward freight agreements	-	21
Interest rate swaps	1	202
Financial assets	**1 154**	**1 279**
Current	462	1 077
Non-current	691	202

Financial liabilities (USD '000)	30 Jun 2020	31 Dec 2019
Financial instruments at fair value through OCI		
Cross-currency interest rate swap (CCIRS)	6 358	1 438
Interest rate swaps	6 293	364
Fuel Hedge	409	-
Forward freight agreements	33	-
Financial instruments at fair value through P&L	-	-
Interest rate swaps	-	1 825
FX Swaps	6	-
Financial liabilities	**13 100**	**3 626**
Current	12 685	-
Non-current	415	3 626

07 Financial items

(USD '000) Finance income	Quarter ended 30 Jun 2020	30 Jun 2019	YTD 30 Jun 2020	30 Jun 2019	Year ended 31 Dec 2019
Other interest income	51	598	307	1 138	1 885
Fair value changes in FFA	-	216	-	405	21
Fair value changes interest rate swaps	-	1	-	-	-
Gain on foreign exchange	132	-	-	-	1 074
Other financial income	-	-	-	-	43
Finance income	**183**	**815**	**307**	**1 545**	**3 024**

(USD '000) Finance cost	Quarter ended 30 Jun 2020	30 Jun 2019	YTD 30 Jun 2020	30 Jun 2019	Year ended 31 Dec 2019
Interest paid to related parties	-	-	-	202	202
Interest expenses mortgage debt	1 990	1 692	4 130	3 396	7 563
Interest expenses bond loan	976	580	1 800	967	2 124
Interest expenses lease liabilities	23	45	46	45	96
Amortization capitalized fees on loans	131	77	346	154	373
Other financial expenses*	42	33	707	69	86
Fair value changes in FFA	21	-	21	-	-
Fair value changes interest rate swaps**	3	877	296	1 962	3 660
Loss on foreign exchange	-	473	123	473	-
Finance cost	**3 186**	**3 776**	**7 468**	**7 268**	**14 105**

*YTD Q2-20 includes premium from buyback of KCC03 in February 2020.

**YTD Q2-20 includes realized effect from terminated CCIRS against KSH of USD 0.3 million in Q1 2020.

08 Share capital, shareholders, dividends and reserves

Dividends of USD 1.4 million were paid to the shareholders in June 2020 (USD 0.03 per share).

In June 2020, Klaveness Combination Carriers ASA purchased 3 122 own shares for a total consideration of USD 11k.

09 Transactions with related parties

USD'000	Quarter ended 30 Jun 2020	Quarter ended 30 Jun 2019	YTD 30 Jun 2020	YTD 30 Jun 2019	Year ended 31 Dec 2019
G&A fee to Klaveness AS	404	559	846	1 230	2 238
Commercial management fee to Klaveness AS	328	407	672	926	1 628
Travel expenses and operating cost reinvoiced from Klaveness AS	44	100	83	171	530
Group commercial and administrative services	**776**	**1 067**	**1 601**	**2 328**	**4 396**

USD'000	Quarter ended 30 Jun 2020	Quarter ended 30 Jun 2019	YTD 30 Jun 2020	YTD 30 Jun 2019	Year ended 31 Dec 2019
Technical management fee to KSM* (reported as part of opex)	773	683	1 530	1 325	2 735
Crewing agency fee to KSM* (reported as part of opex)	271	233	535	456	953
Supervision fee to Klaveness AS (capitalised on newbuildings)	442	515	837	643	2 075
Interest income from related parties	-	-	-	202	202
Total other transactions with related parties	**1 485**	**1 431**	**5 965**	2 626	**5 965**

* KSM refers to Klaveness Ship Management AS

As of 1 February and 1 April 2020, employment of five key employees were transferred from Klaveness AS to Klaveness Combination Carriers ASA. Loan to employees of USD 70k were transferred along with the employment, of which CEO Engebret Dahm holds a loan of USD 50k. Interest on the loans is set to the Norwegian tax administration normal interest rate for the taxation of low-cost loans.

10 Events after the balance sheet date

2 July 2020 KCC signed a USD 60 million sustainability linked term loan and Revolving credit facility for the financing of the 7th and 8th CLEANBU vessels with delivery in 2021, which completes financing for all 8 newbuildings.

In July 2020, Klaveness Combination Carriers ASA purchased 23 893 own shares for a total consideration of USD 94k.

The fourth CLEANBU vessel, MV Baleen, was delivered from Jiangsu New Yangzi Shipyard in China at 4 August 2020.

On 18 August, 2020 the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 1.44 million.

There are no other events after the balance sheet date that have material effect on the financial statement as of 30 June 2020.

11 Reconciliation of alternative performance measures

Non-GAAP financial alternative performance measures (APM) that are used are consistent with those used in the previously quarterly reports. Description and definitions of such measures can be found on the company's homepage: https://www.combinationcarriers.com/alternative-performance-measures

Reconciliation EBITDA adjusted USD'000	Quarter ended 30 Jun 2020	Quarter ended 30 Jun 2019	YTD 30 Jun 2020	YTD 30 Jun 2019	Year ended 31 Dec 2019
EBITDA	**15 720**	**4 227**	**28 545**	**8 963**	**25 763**
Start up costs CLEANBU vessels	140	369	171	922	1 724
EBITDA adjusted	**15 860**	**4 595**	**28 717**	**9 886**	**27 487**

Reconciliation EBIT adjusted	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
EBIT	**11 362**	**1 085**	**19 834**	**3 043**	**11 692**
Start up costs CLEANBU vessels	140	369	171	922	1 724
EBIT adjusted	**11 502**	**1 453**	**20 005**	**3 966**	**13 417**

Reconciliation of average revenue per onhire day (TCE earnings)	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Net revenues from operations of vessels	25 506	12 607	47 909	25 933	61 327
Offhire compensation	(134)	-	-	-	15
IFRS 15 adjustment*	(15)	237	(276)	209	680
Net revenue ex IFRS adjustment	25 357	12 844	47 633	26 142	62 022
Onhire days	1 071	865	2 154	1 703	3 636
Average revenue per onhire days ($/d) (TCE earnings)	**23 679**	**14 854**	**22 111**	**15 352**	**17 060**

Reconciliation of opex per day	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Operating expenses, vessels	8 493	6 875	16 746	13 837	29 913
Leasing cost previously presented as opex	108	-	215	-	445
Reversal provision	-	-	-	-	285
Start up costs CLEANBU vessels	(140)	(369)	(171)	(922)	(1 724)
Operating expenses, vessels adjusted	8 461	6 506	16 790	12 915	28 919
Operating days	1 092	910	2 184	1 800	3 897
Opex per day ($/d)	**7 748**	**7 150**	**7 689**	**7 175**	**7 421**

Reconciliation of total assets to capital employed and return on capital employed (ROCE) calculation.	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Total assets	485 814	430 847	485 814	430 847	459 262
Total liabilities	269 867	219 001	269 867	219 001	245 384
Total equity	215 946	211 845	215 946	211 845	213 878
Total interest-bearing debt	243 611	206 218	243 611	206 218	222 341
Capital employed	**459 557**	**418 063**	**459 557**	**418 063**	**436 219**
EBIT adjusted annualised	46 008	5 813	40 011	7 931	13 417
ROCE adjusted	**10 %**	**1 %**	**9 %**	**2 %**	**3 %**

Reconciliation of equity ratio	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Total assets	485 814	430 847	485 814	430 847	459 262
Total equity	215 946	211 845	215 946	211 845	213 878
Equity ratio	44 %	49 %	44 %	49 %	47 %

Reconciliation of total interest-bearing debt	Quarter ended		YTD		Year ended
USD'000	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019	31 Dec 2019
Mortgage debt	160 738	147 471	160 738	147 471	169 304
Long-term bond loan	50 877	34 994	50 877	34 994	33 836
Short-term mortgage debt	17 367	15 902	17 367	15 902	17 367
Other interest bearing liabilities	8	7 851	8	7 851	1 835
Short-term bond loan	14 621	-	14 621	-	-
Total interest-bearing debt	**243 611**	**206 218**	**243 611**	**206 218**	**222 341**

* 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.