



Third  
Quarter  
2020



Klaveness  
Combination Carriers

## HIGHLIGHTS

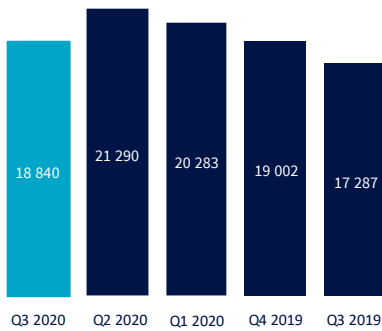
- TCE earnings for both key KCC segments more than 2 times higher than standard tanker vessels
- EBITDA of USD 9.8 million for the quarter despite weak markets and COVID-19 operational effects
- CLEANBU trading pattern expanded with two new combination trades
- Successful tap issue of NOK 200 million under existing senior unsecured bonds
- KCC has signed a sustainability-linked bank facility to part finance two newbuilds with delivery in 2021
- Dividend payments maintained at USD 0.03 per share (total USD 1.44 million) for Q3

*“The third quarter results demonstrate the high value generation of KCC’s combination carrier business in a poor tanker market, with earnings for both CABU and CLEANBU vessels more than twice the spot earnings of standard tanker vessels. Fourth quarter results likely to be an improvement over Q3 2020”.*

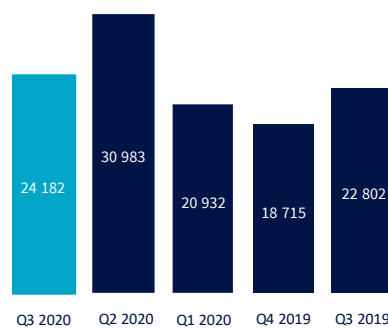


**Engebret Dahm, CEO**  
Klaveness Combination Carriers ASA

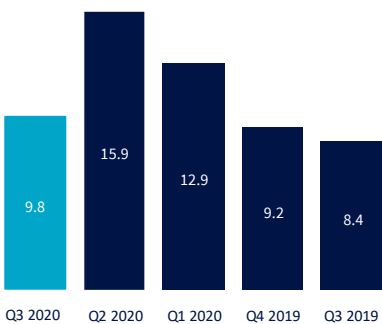
**Average CABU TCE earnings (\$/d)**



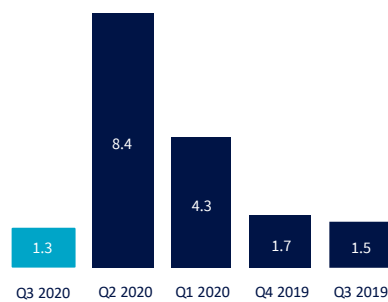
**Average CLEANBU TCE earnings (\$/d)**



**Adjusted EBITDA (mUSD)**



**Profit/(loss) after tax (mUSD)**



## CONSOLIDATED FINANCIALS

### Key Figures

(USD '000)	Q3 2020	Q2 2020	Q3 2019	Q3 2020 YTD	Q3 2019 YTD
Net revenues from vessel operations	20 358	25 506	16 571	68 267	42 503
EBITDA (note 11)	9 257	15 720	7 764	37 802	16 726
EBITDA adjusted (note 11)	9 847	15 860	8 411	38 563	18 295
Profit/(loss) for the period	1 311	8 359	1 545	13 983	(1 139)
Earnings per share <sup>1</sup>	0.03	0.17	0.03	0.29	(0.03)
Total assets	502 166	485 814	453 002	502 166	453 002
Equity	216 116	215 946	211 397	216 116	211 397
Equity ratio	43 %	44 %	47 %	43 %	47 %
ROCE adjusted (note 11)	4 %	10 %	4 %	7 %	3 %

	Q3 2020	Q2 2020	Q3 2019	Q3 2020 YTD	Q3 2019 YTD
Average TCE earnings (note 11)	20 310 \$/d	23 679 \$/d	18 127 \$/d	21 506 \$/d	16 312 \$/d
Opex per day (note 11)	7 990 \$/d	7 748 \$/d	7 138 \$/d	7 793 \$/d	7 233 \$/d
Onhire days	984	1 071	895	3 138	2 599
Off-hire days, scheduled	72	9	65	82	91
Off-hire days, unscheduled	49	11	4	70	68
% of days in main combination trades <sup>2</sup>	78 %	67 %	89 %	77 %	74 %
Utilisation <sup>3</sup>	87 %	95 %	91 %	92 %	92 %

## FINANCIAL PERFORMANCE

Net revenues from operations of vessels were USD 20.4 million in Q3 2020 compared to USD 16.6 million in the same quarter last year and USD 25.5 million last quarter. The fleet has increased over the last year and counts 1.5 more vessels in Q3 2020 compared to Q3 2019. A weak tanker market and low fuel prices had negative earnings effects in addition to in total 121 off-hire days mainly due to scheduled dry docking of two CABU vessels as well as COVID-19 operational effects.

The average TCE earnings per on-hire day were about \$20,300/day in average for the fleet, approximately \$2,200/day higher than in Q3 2019, mainly due to stronger average CABU TCE earnings. Compared to last quarter average TCE earnings were \$3,400/d lower on the back of weaker tanker markets.

Operating expenses for the vessels increased from USD 7.6 million in Q3 2019 and USD 8.5 million last quarter to USD 9.8 million in Q3 2020 mainly due to 1.5 more vessels in operation, additional crew costs related to delivery of newbuilds and bunkers costs related to additional off-hire.

Adjusted EBITDA for the period ended at USD 9.8 million up from USD 8.4 million in Q3 2019 and down from USD 15.9 million in previous quarter.

Net result from financial items was negative USD 3.1 million in Q3 2020 in line with Q2 2020 and up from negative USD 2.6 million in Q3 2019. The increase from last year is mainly due to lower interest income and increased debt in connection with delivery of additional newbuilds and increased bond debt.

Net profit after tax for Q3 ended at USD 1.3 million compared to USD 1.5 million for the same period last year and down from USD 8.4 million in Q2 2020. Net profit after tax amounts to USD 14.0 million Q3YTD compared to USD 8.2 million for the same period last year.

## THE CABU BUSINESS

(USD/day) / # of days	Q3 2020	Q2 2020	Q3 2019	Q3 2020 YTD	Q3 2019 YTD
Average TCE earnings (note 2)	18 840	21 290 \$/d	17 287 \$/d	20 190 \$/d	16 137 \$/d
Opex per day (note 2)	7 853	7 210 \$/d	6 741 \$/d	7 391 \$/d	6 758 \$/d
Onhire days	713	807	758	2 335	2 353
Off-hire days, scheduled	72	9	65	82	91
Off-hire days, unscheduled	43	2	3	50	12
% of days in main combination trades <sup>2</sup>	89 %	85 %	87 %	89 %	73 %
Ballast days in % of total on-hire days	13 %	12 %	8 %	13 %	11 %
Utilisation <sup>3</sup>	83 %	94 %	89 %	90 %	93 %

Average TCE earnings per on-hire day for the CABU vessels ended at \$18,840/day for Q3 2020, a decrease of almost \$2,500/day from last quarter, but an increase of approximately \$1,900/day from Q3 2019. Earnings are impacted by lower earnings on the index linked contracts due to a considerably weaker tanker market. However, TCE earnings ended more than 2 times higher than standard MR tankers<sup>4</sup> in Q3 and demonstrates how the combination carriers reduce earnings volatility with a diversified market exposure and high contract coverage.

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

<sup>2</sup> % 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.

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

<sup>4</sup> Source: Clarksons Platou

% of days in main combination trades ended at 89% for the quarter, marginally higher than the same quarter last year and Q2 2020.

Net revenue was affected by in total 72 scheduled off-hire days for dry docking of two CABU vessels and 43 unscheduled off-hire days of which 35 days relates to a COVID-19 incident on one CABU vessel in July as well as deviations for crew changes and port restrictions related to COVID-19.

Operating costs ended at \$7,853/day in Q3 2020, up from \$7,210/day last quarter and \$6,741/day in Q3 2019. The higher OPEX/day for Q3 2020 was mainly a result of extra costs related to the COVID-19 incident and other COVID-19 related costs.

## THE CLEANBU BUSINESS

(USD/day) / # of days	Q3 2020	Q2 2020	Q3 2019	Q3 2020 YTD	Q3 2019 YTD
Average TCE earnings (note 2)	24 182 \$/d	30 983 \$/d	22 802 \$/d	25 333 \$/d	17 970 \$/d
Opex per day (note 2)	8 330 \$/d	9 361 \$/d	9 126 \$/d	8 920 \$/d	10 705 \$/d
Onhire days	271	264	136	803	246
Off-hire days, scheduled	-	-	-	-	-
Off-hire days, unscheduled	6	9	1	19	56
% of days in main combination trades <sup>1</sup>	48 %	15 %	100 %	42 %	87 %
Ballast days in % of total on-hire days	15 %	29 %	0 %	20 %	29 %
Utilisation <sup>2</sup>	97 %	99 %	99 %	96 %	81 %

The CLEANBU fleet outperformed the LR1 tanker vessel spot earnings by 2.4 times in Q3<sup>3</sup>. Average CLEANBU TCE earnings per on-hire day ended at \$24,182/day for the quarter, up from \$22,802/day in Q3 2019 and down from \$30,983/day in the previous quarter. Three CLEANBU vessels were fixed on tanker time charters in the strong tanker market in April 2020. Two of the vessels were redelivered to charterers during July while the charter for the third vessel expires in mid-February 2021. The combination trading patterns for the CLEANBU vessels have expanded during third quarter. MV Baru lifted jet fuel from the Middle East to Europe, returning with grains to the Middle East and MV Barramundi performed the first combination trade to Australia. The fourth CLEANBU delivered in early August loaded its first cargo in early October due to delays caused by COVID-19 restrictions related to crew.

The CLEANBUs have traded as combination carriers, except for the vessel employed on TC for the entire quarter. Hence, % of days in main combination trades increased to 48% for the quarter.

Average operating costs for the CLEANBU vessels ended at \$8,330/day for the quarter, down from \$9,361/day last quarter and \$9,126/day for Q3 2019. Costs related to standby pay and extra OPEX related to delivery of the fourth CLEANBU are not included. The CLEANBU fleet had in total six days off-hire in third quarter, whereof 0.6 days deviation related to COVID-19, down from nine unscheduled off-hire days in the previous quarter and up from one unscheduled off-hire days in Q3 2019.

## CAPITAL AND FINANCING

KCC's capital commitments are fully funded and the refinancing risk is limited over the next year as the first mortgage debt facility falls due in March 2022. Additional bonds of NOK 200 million were issued under a tap issue to the KCC04 bond in September. The additional bonds were in October listed under the same ISIN as the initial KCC04 issue. The KCC04 bonds amount to NOK 700 million after the tap issue and matures in 2025. The call option to redeem the remaining outstanding amount of NOK 142 million under the KCC03 bonds was exercised in October and the settlement date is 1 December 2020.

The equity ratio was quite stable compared to end of second quarter and ended at 43% per end of third quarter. Cash and cash equivalents ended at USD 57.7 million, down from USD 72.2 million at end of second quarter as final installment for delivery of the fourth CLEANBU in August was paid by equity. Draw down on the bank loan tranche of USD 30.2 million related to this vessel will be made in fourth quarter 2020. Total interest-bearing debt ended the quarter at USD 261.1 million, up from USD 243.6 million last quarter due to the bond tap issue.

Net cash flow from operating activities was USD 7.4 million in Q3, in line with EBITDA of USD 9.3 million offset by USD 1.9 million negative changes in working capital. Net cash flow from investments was negative USD 35.0 million and mainly consists of yard instalments related to newbuilds. Net cash flow from financing activities was positive USD 13.1 million and mainly due to the bond tap issue partly offset by scheduled repayment of mortgage debt, interest costs and dividend payment.

## FLEET

The fleet consists of nine CABU and five CLEANBU combination carriers, with another three CLEANBU vessels on order. KCC has two individual fixed price options with expiry in January 2021 with scheduled delivery in 2022.

The fourth and fifth CLEANBU vessels, MV Baleen and MV Bangus, were delivered respectively on 4 August and 13 October. Due to current Chinese travel restrictions related to COVID-19, it has become impossible to bring our crews into the shipyard in China. Hence, Chinese crews were employed to position the two vessels from the shipyard to Korea where crew changes were made. MV Baleen loaded its first cargo in early October, and currently MV Bangus is expected to load its first cargo in mid-November. Based on experience from MV Baleen, the take-over procedure for MV Bangus was optimized to substantially reduce time from delivery to start of trading. The three subsequent newbuilds are expected to be delivered in the period January to April 2021.

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 disinfection of the vessel's accommodation, the vessel recommenced trading in early August after 14 days off-hire.

<sup>1</sup> % 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.

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

<sup>3</sup> Source: Clarksons Platou

It continues to be difficult to make crew changes, get ship managers, service personnel and vet inspectors on board the vessels in our fleet. It has been necessary to deviate vessels to accommodate crew changes, leading to 14 off-hire days and additional costs. In addition, one vessel experienced eight off-hire days due to port quarantine restrictions and forwarding costs for sending spare parts and other equipment to relevant ports have increased. Costs related to COVID-19 issues were approx. USD 1.3 million for the quarter. Total negative impact from COVID-19 in Q3 for vessels in operations and newbuilding delivery amounts USD 2.8 million in costs and lost earnings.

Yard guarantee issues related to three first CLEANBU vessels are targeted to be made in 2021. Total off-hire is expected to be 170-210 days. The yard 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.

Two CABU vessels have been through periodic dry docking in the period late June - early October, one additional CABU vessel is scheduled for periodic drydocking with start in December 2020. All three vessels will have installed ballast water treatment system during 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 as an ultrasonic 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

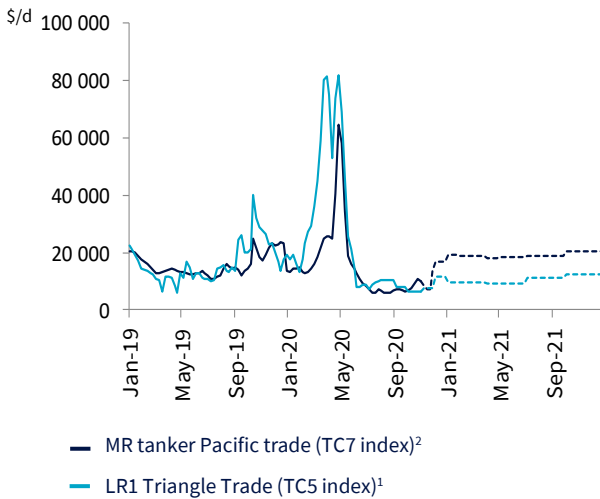


Fig. 2: Dry bulk market

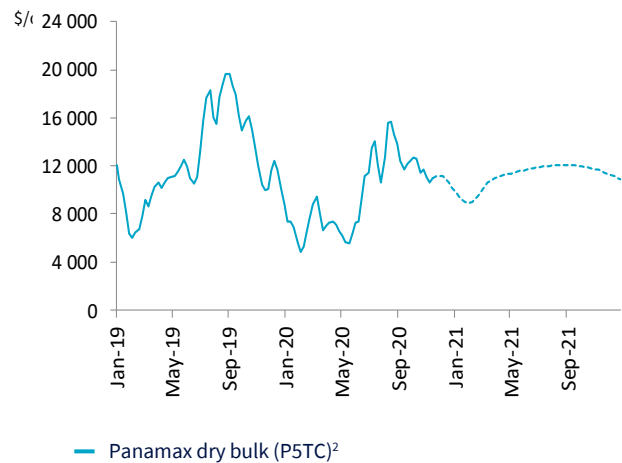


Fig. 3: Fuel market

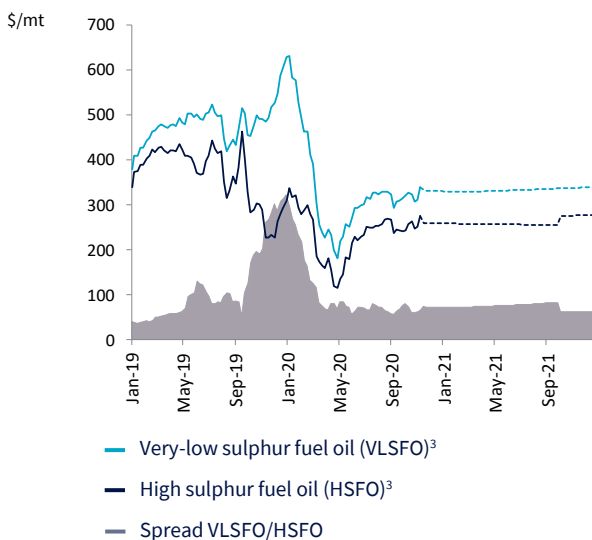
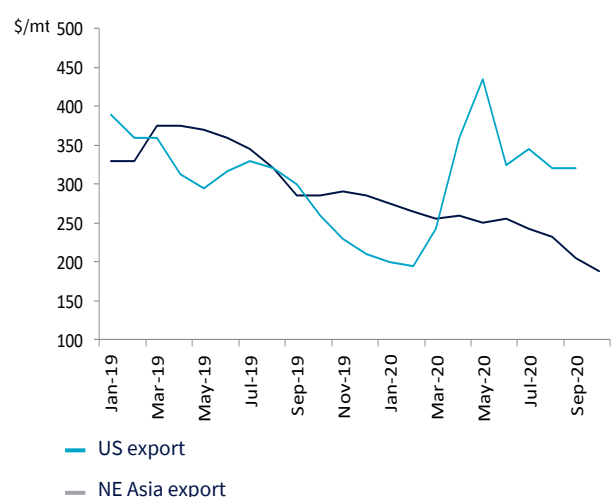


Fig. 4: Caustic Soda prices



<sup>1</sup> According to KCC triangular model with baltic exchange TCS historical and FFA market levels.

<sup>2</sup> TC7 and P5TC as per Baltic

<sup>3</sup> Platts settled and futures curves

While dry bulk markets were volatile during third quarter and in early fourth quarter, average earnings were considerably stronger than in first half of 2020. Between early July and late October Capesize rates have been between \$18,000/day and \$35,000/day. The Capesize index averaged at \$20,700/day in Q3 (Q2 \$9,600/day). The Panamax segment also saw improvements on the back of a strong Capesize market, with Q3 averaging at \$13,100/day (Q2 \$7,400/day).

The stronger rates were in large driven by strong demand for iron ore from China and higher exports from Brazil and Australia, with Brazilian exports at all-time high levels in August. Grain trades were historically strong as well, with exceptional high US grain exports to China in September and October. The coal trade is still severely depressed due to the COVID-19 pandemic. In October, China imposed a ban on Australian thermal coal which effect on dry bulk ton-mile and rates will depend on where China directs its coal sourcing.

On the supply side, Clarksons report a total bulk carrier fleet growth of 4.7% in Q3 which is expected to be substantially reduced over the coming quarters. With historically low orderbooks, low fleet growth will likely be a positive factor for the dry bulk market going forward. In sum it looks like there is upside potential in rates with the iron ore and grain trades to be supportive of rates going forward, while the development of the coal and minor bulks trades will be at the mercy of world economic growth, where the pandemic continues to pose a significant risk.

The product tanker market remained weak for most of third quarter, with exception of a short period in August when rates improved due to shut down of refinery capacity in US Gulf in connection with the hurricane Laura. In third quarter the LR1 route from Middle East to Japan (TC5) averaged \$7,800/day, negatively impacted by continued muted oil consumption, high inventories and general low refinery runs on the back of the supply/demand disruptions caused mainly by the COVID-19 pandemic. Although product tanker rates historically have strengthened into the winter market it is expected that product tanker rates will continue to be negatively impacted by the abovementioned factors. Expectation of oil demand gradually resuming pre-COVID-19 levels coupled with low fleet growth could spur an improvement in rates during 2021/into 2022.

US caustic soda (CSS) demand continued to edge up in third quarter, while still well below normal levels. Operating rates were negatively impacted by the hurricane Laura in August, closing one of the US Gulf CSS export plants for the whole of September. Japanese and Korean producers have kept operating rates high, building inventory which has had negative effect on North Asia spot prices in September. This further widens the price spreads between US Gulf and North Asia, disincentivizing exports from US Gulf to Australia

Brent crude oil prices ended at USD 41 per barrel, flat quarter-on-quarter. Average fuel oil price (VLSFO) fell by around 6% 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 or spills to environment in Q3 2020.

The global COVID-19 situation is again escalating and KCC and its ship manager Klaveness Ship Management have implemented a number of new measures to ensure the health and safety of our crew. A revised COVID-19 management plan with increased testing and strict quarantine procedures for onboarding crew has been implemented during third quarter. The new plan seems to work well and there have not been any new COVID-19 cases onboard our vessels since the incident on MV Barcarena in July.

The number of crew changes picked up again through Q3. Still, many of the crew have stayed onboard much longer than their initial contract tenure. 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	Q3 2020	Q2 2020	Q3 2019	Q3 2020 YTD	Q3 2019 YTD
# of medium* injuries	-	-	2	3	5
# of major** injuries	-	-	-	-	-
# of navigational incidents	-	-	2	1	3
# of spills to the environment	-	1	-	1	-

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

\*\*Major = Severe injury or death

## ENVIRONMENT

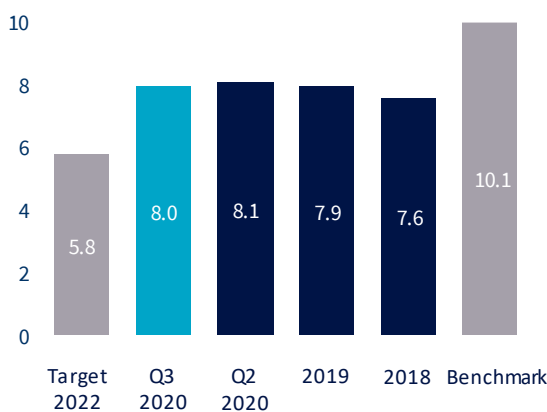
KCC is taking all possible technical and operational precautions to protect the environment and as a minimum complying with all requirements in the International Safety Management Code (ISM-code) and the MARPOL-convention.

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<sub>2</sub> emissions for the same transport work, when performed by KCC's combination carriers.

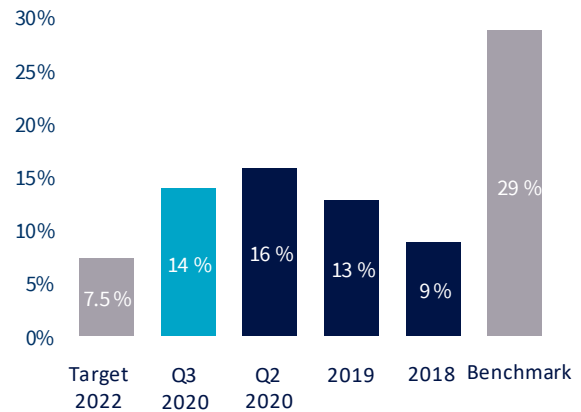
In July, KCC signed a sustainability linked bank facility to part finance two newbuilds with delivery in 2021. The pricing of the facility is linked to the two environmental KPIs, EEOI and CO<sub>2</sub> emissions per vessel, based on the ambitious emissions targets of the company.

CO<sub>2</sub> emissions per ton transported cargo per nautical mile (EEOI) ended at 8.0 for third quarter, quite stable compared to second quarter, while average CO<sub>2</sub> emissions per vessel had a negative development and ended at 21,600 mt up from 20,100 mt in second quarter.

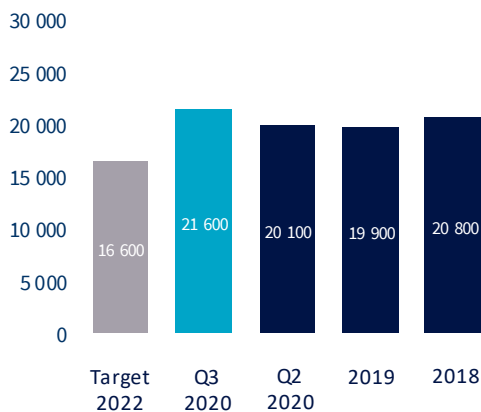
CO<sub>2</sub> emission per ton transported cargo per nautical mile (EEOI)<sup>1,2</sup>



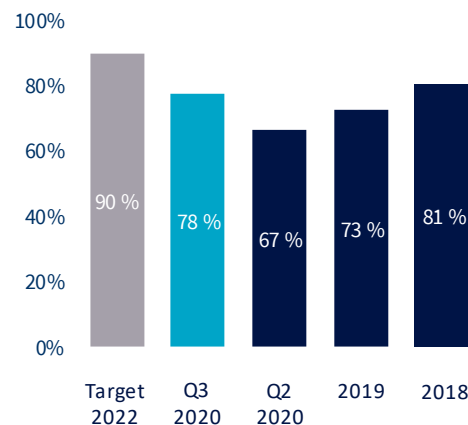
Ballast days in % of total on-hire days<sup>2</sup>



Average CO<sub>2</sub> emission per vessel<sup>3</sup>



% of days in main combination trades<sup>4</sup>



<sup>1</sup> EEOI (Energy Efficiency Operational Index) is defined by IMO and represents CO<sub>2</sub> 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.

<sup>2</sup> Benchmark: The EEOI and % ballast for "Benchmark standard vessels" are calculated based on standard vessels (panamax/kamsarmax dry, MR-tankers and LRI-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.

<sup>3</sup> CO<sub>2</sub> 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.

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

## OUTLOOK AND SUBSEQUENT EVENTS

The earnings outlook for fourth quarter 2020 is positive. The outlook is supported by a high tanker market coverage including Contracts of Affreightments (COAs) and Time Charters, partly secured during the strong tanker market in April-May 2020. In addition, a relatively strong, albeit volatile, dry bulk market underpins KCC's earnings for Q4 2020. 85% of the tanker market exposure for Q4 2020 has been secured (87% fixed rate) and 50% for 1H 2021 (35% fixed rate).

Off-hire is expected to be lower in fourth quarter compared to third quarter due to docking of only one vessel and expected lower unscheduled off-hire related to deviations and quarantine restrictions as a result of COVID-19.

The situation related to the COVID-19 pandemic is uncertain. The virus has 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. The second COVID-19 wave of infections during the autumn has led to new lockdowns and economic disruptions which will have negative impact on economic development in the affected regions and likely delay the recovery in oil consumption and hence in the tanker market.

Coming into 2021 the widespread distribution of COVID-19 vaccines will likely strengthen an underlying positive economic development. With historical low tanker and dry bulk orderbooks, there should be a considerable upside potential in both the tanker and dry bulk markets once the world economy gets up to speed. 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, but also KCC's earnings will be negatively impacted by continued low activity in shipping markets going forward. While the implemented improved COVID-19 management plan and more efficient take-over procedures of newbuilds work well, KCC is likely to continue experience higher than normal operating costs and off-hire over the coming quarters due to COVID-19.

Three more CLEANBU vessels will be delivered in 2021 and the CLEANBU earnings are dependent on a continued expansion of the CLEANBU combination trading pattern. Three CLEANBUs have during their TC-employments in 2020 built extensive tanker market experience and the CLEANBUs have as well expanded into new dry bulk/CPP combination trades in the third quarter.

Oslo, 17 November 2020

The Board of Directors of  
Klaveness Combination Carriers ASA

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**Lasse Kristoffersen**  
**Chairman of the Board**

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**Magne Øvreås**  
**Board member**

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**Morten Skedsmo**  
**Board member**

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**Lori Wheeler Næss**  
**Board member**

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**Rebekka Glasser Herlofsen**  
**Board member**

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**Engebret Dahm**  
**CEO**



## INCOME STATEMENT

USD'000	Notes	Quarter ended		YTD		Year ended
		Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Audited 31 Dec 2019
Freight revenue	<a href="#">3</a>	29 362	34 467	105 845	94 548	130 768
Charter hire revenue	<a href="#">3</a>	6 887	68	15 173	649	5 752
<b>Total revenues, vessels</b>		<b>36 249</b>	<b>34 535</b>	<b>121 018</b>	<b>95 197</b>	<b>136 521</b>
Voyage expenses		(15 891)	(17 964)	(52 750)	(52 694)	(75 194)
<b>Net revenues from operations of vessels</b>		<b>20 358</b>	<b>16 571</b>	<b>68 267</b>	<b>42 503</b>	<b>61 327</b>
Operating expenses, vessels		(9 753)	(7 563)	(26 499)	(21 401)	(29 913)
Group commercial and administrative services	<a href="#">9</a>	(773)	(1 041)	(2 374)	(3 369)	(4 396)
Salaries and social expense		(399)	-	(913)	-	-
Tonnage tax		(41)	(24)	(98)	(98)	(163)
Other operating and administrative expenses		(135)	(179)	(582)	(910)	(1 093)
<b>Operating profit before depreciation (EBITDA)</b>		<b>9 257</b>	<b>7 764</b>	<b>37 802</b>	<b>16 726</b>	<b>25 763</b>
Ordinary depreciation	<a href="#">4</a>	(4 821)	(3 621)	(13 532)	(9 541)	(14 070)
<b>Operating profit after depreciation (EBIT)</b>		<b>4 436</b>	<b>4 143</b>	<b>24 269</b>	<b>7 185</b>	<b>11 692</b>
Finance income	<a href="#">7</a>	57	2 561	344	3 631	3 024
Finance costs	<a href="#">7</a>	(3 182)	(5 159)	(10 630)	(11 955)	(14 105)
<b>Profit before tax (EBT)</b>		<b>1 311</b>	<b>1 545</b>	<b>13 983</b>	<b>(1 139)</b>	<b>612</b>
Income tax expenses		-	-	-	-	(15)
<b>Profit after tax</b>		<b>1 311</b>	<b>1 545</b>	<b>13 983</b>	<b>(1 139)</b>	<b>597</b>
Attributable to:						
Equity holders of the parent company		1 311	1 545	13 983	(1 139)	597
<b>Total</b>		<b>1 311</b>	<b>1 545</b>	<b>13 983</b>	<b>(1 139)</b>	<b>597</b>
<b>Earnings per Share (EPS):</b>		<b>0.03</b>	<b>0.03</b>	<b>0.29</b>	<b>(0.03)</b>	<b>0.01</b>
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent						

## STATEMENT OF COMPREHENSIVE INCOME

USD '000	Quarter ended		YTD		Year ended
	Unaudited	Unaudited	Unaudited	Unaudited	Audited
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Profit/ (loss) of the period</b>	<b>1 311</b>	<b>1 545</b>	<b>13 983</b>	<b>(1 139)</b>	<b>597</b>
<i>Other comprehensive income to be reclassified to profit or loss</i>					
Net movement fair value on cross-currency interest rate swaps (CCIRS)	(602)	(2 692)	(8 624)	(2 587)	(1 438)
Reclassification to profit and loss (CCIRS)	516	2 173	4 476	2 384	1 347
Net movement fair value on interest rate swaps	512	(72)	(3 302)	(764)	(686)
Net movement fair value FX hedge	-	-	-	(14)	38
Net movement fair value bunker hedge	254	(77)	(155)	570	918
Net movement fair value FFA hedge	(262)	(798)	(660)	(586)	85
<b>Net other comprehensive income to be reclassified to profit or loss</b>	<b>418</b>	<b>(1 466)</b>	<b>(8 265)</b>	<b>(997)</b>	<b>265</b>
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>418</b>	<b>(1 466)</b>	<b>(8 265)</b>	<b>(997)</b>	<b>265</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>1 729</b>	<b>79</b>	<b>5 718</b>	<b>(2 135)</b>	<b>862</b>
Attributable to:					
Equity holders of the parent company	1 729	79	5 718	(2 135)	862
<b>Total</b>	<b>1 729</b>	<b>79</b>	<b>5 718</b>	<b>(2 135)</b>	<b>862</b>

## STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 30 Sep 2020	Audited 31 Dec 2019
<b>Non-current assets</b>			
Vessels	<a href="#">4</a>	358 027	315 208
Newbuilding contracts	<a href="#">5</a>	63 929	62 316
Right-of-use assets		1 618	1 765
Long-term financial assets	<a href="#">6</a>	299	202
Long-term receivables	<a href="#">9</a>	70	-
<b>Total non-current assets</b>		<b>423 943</b>	<b>379 490</b>
<b>Current assets</b>			
Short-term financial assets	<a href="#">6</a>	443	1 077
Inventories		7 228	7 163
Trade receivables and other current assets		12 787	14 313
Short-term receivables from related parties		66	130
Cash and cash equivalents		57 699	57 089
<b>Total current assets</b>		<b>78 223</b>	<b>79 772</b>
<b>TOTAL ASSETS</b>		<b>502 166</b>	<b>459 262</b>

EQUITY AND LIABILITIES		Unaudited 30 Sep 2020	Audited 31 Dec 2019
<b>Equity</b>			
Share capital		5 725	5 725
Share premium		130 155	130 155
Other reserves		(8 096)	316
Retained earnings		88 331	77 681
<b>Total equity</b>		<b>216 115</b>	<b>213 878</b>
<b>Non-current liabilities</b>			
Mortgage debt	<a href="#">6</a>	156 452	169 304
Long-term financial liabilities	<a href="#">6</a>	12 929	3 626
Long-term lease liabilities		1 219	1 395
Bond loan	<a href="#">6</a>	72 388	33 836
<b>Total non-current liabilities</b>		<b>242 988</b>	<b>208 161</b>
<b>Current liabilities</b>			
Short-term mortgage debt	<a href="#">6</a>	17 367	17 367
Other interest bearing liabilities	<a href="#">6</a>	-	1 835
Short-term financial liabilities	<a href="#">6</a>	155	-
Short-term lease liabilities		454	407
Short-term bond loan	<a href="#">6</a>	14 932	-
Trade and other payables		9 667	16 841
Short-term debt to related parties		350	617
Tax liabilities		138	157
<b>Total current liabilities</b>		<b>43 063</b>	<b>37 223</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>502 166</b>	<b>459 262</b>

Oslo, 17 November 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

## 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
<b>Equity 1 January 2020</b>	<b>5 725</b>	<b>130 155</b>	-	<b>316</b>	<b>77 681</b>	<b>213 878</b>
Profit (loss) for the period	-	-	-	-	13 983	<b>13 983</b>
Other comprehensive income for the period	-	-	-	(8 265)	-	<b>(8 265)</b>
Purchase of own shares	-	-	(147)	-	-	<b>(147)</b>
Share option program	-	-	-	-	29	<b>29</b>
Dividends	-	-	-	-	(3 362)	<b>(3 362)</b>
<b>Equity at 30 September 2020</b>	<b>5 725</b>	<b>130 155</b>	<b>(147)</b>	<b>(7 949)</b>	<b>88 331</b>	<b>216 115</b>

Unaudited 2019	Share capital	Other paid in capital	Treasury Shares	Hedging reserve	Retained earnings	Total
<b>Equity 1 January 2019</b>	<b>4 863</b>	<b>92 271</b>	-	<b>51</b>	<b>80 901</b>	<b>178 086</b>
Profit (loss) for the period	-	-	-	-	(1 139)	<b>(1 139)</b>
Other comprehensive income for the period	-	-	-	(997)	-	<b>(997)</b>
Dividends	-	-	-	-	(3 335)	<b>(3 335)</b>
Capital increase	862	37 918	-	-	-	<b>38 781</b>
<b>Equity at 30 September 2019</b>	<b>5 725</b>	<b>130 189</b>	-	<b>(946)</b>	<b>76 428</b>	<b>211 397</b>

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

## CASH FLOW STATEMENT

(Figures in USD '000)

	Notes	Quarter ended		YTD		Year ended
		Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Audited 31 Dec 2019
Profit before tax		1 311	1 545	13 984	(1 139)	612
Tonnage tax expensed		41	24	98	98	163
Ordinary depreciation	4	4 821	3 621	13 532	9 541	14 070
Amortization of upfront fees bank loans		139	89	485	243	373
Financial derivatives unrealised loss / gain (-)	6	305	2 478	(428)	3 597	3 681
Gain/loss on foreign exchange		(20)	(1 953)	103	(1 480)	(1 074)
Interest income	7	(6)	(502)	(257)	(1 597)	(1 885)
Interest expenses	7	2 715	2 514	8 690	7 080	9 889
Taxes paid for the period		-	-	-	(45)	(46)
Change in current assets		(320)	2 404	1 525	(2 118)	(5 090)
Change in current liabilities**		(1 551)	278	(7 444)	(259)	9 294
Interest received	7	6	502	257	1 597	1 885
<b>A: Net cash flow from operating activities</b>		<b>7 440</b>	<b>10 999</b>	<b>30 544</b>	<b>15 517</b>	<b>31 873</b>
Acquisition of tangible assets	4	(2 745)	(2 803)	(3 280)	(3 789)	(6 010)
Installments and other cost on newbuilding contracts**	5	(32 291)	(87 001)	(53 775)	(143 027)	(158 285)
<b>B: Net cash flow from investment activities</b>		<b>(35 036)</b>	<b>(89 804)</b>	<b>(57 055)</b>	<b>(146 816)</b>	<b>(164 295)</b>
Proceeds from mortgage debt		-	31 000	-	93 000	93 000
Net proceeds from bond loan		-	-	-	(630)	(630)
Proceeds from bond loan (KCC04)	6	22 362	-	76 390	-	-
Buyback of bond loan (KCC03)	6	-	-	(17 879)	-	-
Transaction costs on issuance of loans	6	(335)	(949)	(1 205)	(1 403)	(1 596)
Repayment of mortgage debt	6	(4 342)	(3 481)	(13 025)	(10 012)	(13 923)
Terminated financial instruments		-	-	(3 101)	-	-
Interest paid	7	(2 933)	(2 525)	(8 386)	(6 390)	(9 014)
Repayment of financial lease liabilities		(113)	(99)	(329)	(278)	(385)
Purchase of own shares		(139)	-	(147)	-	-
Capital increase May 20, 2019		-	-	-	40 096	40 096
Transaction costs on capital increase		-	-	-	(1 035)	(2 147)
Dividends		(1 441)	(480)	(3 362)	(3 334)	(3 814)
<b>C: Net cash flow from financing activities</b>		<b>13 060</b>	<b>23 466</b>	<b>28 956</b>	<b>110 014</b>	<b>101 587</b>
<b>Net change in liquidity in the period (A + B + C)</b>		<b>(14 526)</b>	<b>(55 340)</b>	<b>2 446</b>	<b>(21 285)</b>	<b>(30 836)</b>
Cash and cash equivalents at beginning of period		72 225	120 145	55 254	86 090	86 090
Cash and cash equivalents at end of period*		57 699	64 805	57 699	64 805	55 254
<b>Net change in cash and cash equivalents in the period</b>		<b>(14 526)</b>	<b>(55 340)</b>	<b>2 445</b>	<b>(21 285)</b>	<b>(30 836)</b>
*Reconciliation of cash and cash equivalents presented in cash flow statement						
Cash and cash equivalents		57 699	67 481	57 699	67 481	57 089
Other interest bearing liabilities (overdraft facility)		-	2 676	-	2 676	1 835
Cash and cash equivalents (as presented in cash flow statement)		57 699	64 805	57 699	64 805	55 254

\*\* Yard installment of USD 4.7 million paid in January 2020 is included in YTD Q3-20 as change in working capital and not as installment paid/cash flow from investment activities as milestone was completed in December 2019.

# Notes

<b>01</b>	Accounting policies
<b>02</b>	Segment reporting
<b>03</b>	Revenue from contracts with customers
<b>04</b>	Vessels
<b>05</b>	Newbuildings
<b>06</b>	Financial assets and financial liabilities
<b>07</b>	Financial items
<b>08</b>	Share capital, shareholders, dividends and reserves
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# 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 five CLEANBU vessels in operation and three CLEANBU newbuildings with estimated delivery in 1H 2021. The fifth CLEANBU vessel was delivered 13 October. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

## ACCOUNTING POLICIES

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and are based on IAS 34 *Interim Financial Reporting*. The interim condensed financial statements of the Group should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 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. In third quarter two of the CLEANBUS were sold back to KCC Shipowning, and KCC KBA AS own as per end of September one CLEANBU, MV Barracuda. 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, five CLEANBUs on water and three CLEANBUs on order with expected deliveries through 2020 and 2021. The fourth and fifth CLEANBU vessel were delivered respectively in August and October 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						
(USD'000)	CABU	Q3 2020 CLEANBU	Total	CABU	Q3 2019 CLEANBU	Total
Operating revenue, vessels	27 851	8 398	36 249	30 394	4 141	34 535
Voyage expenses	(13 998)	(1 892)	(15 891)	(17 013)	(951)	(17 964)
<b>Net revenue</b>	<b>13 852</b>	<b>6 506</b>	<b>20 358</b>	<b>13 381</b>	<b>3 190</b>	<b>16 571</b>
Operating expenses, vessels	(6 418)	(3 336)	(9 753)	(5 431)	(2 132)	(7 563)
Group administrative services	(509)	(264)	(773)	(748)	(293)	(1 041)
Salaries and social expense	(263)	(136)	(399)	-	-	-
Tonnage tax	(34)	(7)	(41)	(20)	(4)	(24)
Other operating and administrative expenses	(89)	(46)	(135)	(128)	(50)	(179)
<b>Operating profit before depreciation (EBITDA)</b>	<b>6 541</b>	<b>2 716</b>	<b>9 257</b>	<b>7 054</b>	<b>710</b>	<b>7 764</b>
Ordinary depreciation	(3 316)	(1 505)	(4 821)	(2 807)	(814)	(3 621)
<b>Operating profit after depreciation (EBIT)</b>	<b>3 225</b>	<b>1 211</b>	<b>4 437</b>	<b>4 247</b>	<b>(104)</b>	<b>4 143</b>

Reconciliation of average revenue per onhire day (TCE earnings USD/day)						
(USD'000)	CABU	Q3 2020 CLEANBU	Total	CABU	Q3 2019 CLEANBU	Total
Net revenues from operations of vessels	13 852	6 506	20 358	13 381	3 190	16 571
IFRS 15 adjustment*	(413)	42	(370)	(271)	(83)	(354)
Net revenue ex IFRS adjustment	13 439	6 548	19 988	13 110	3 107	16 217
Onhire days	713	271	984	758	136	895
<b>Average TCE earnings per onhire day (\$/d)</b>	<b>18 840</b>	<b>24 182</b>	<b>20 310</b>	<b>17 287</b>	<b>22 802</b>	<b>18 127</b>

Reconciliation of opex per day						
(USD'000)	CABU	Q3 2020 CLEANBU	Total	CABU	Q3 2019 CLEANBU	Total
Operating expenses, vessels	6 418	3 336	9 753	5 431	2 132	7 563
Leasing cost previously presented as opex	84	28	113	151	21	172
Start up cost CLEANBU vessels	-	(590)	(590)	-	(647)	(647)
Operating expenses, vessels adjusted	6 502	2 774	9 276	5 582	1 506	7 088
Operating days	828	333	1 161	828	165	993
<b>Opex per day (\$/d)</b>	<b>7 853</b>	<b>8 330</b>	<b>7 990</b>	<b>6 741</b>	<b>9 126</b>	<b>7 138</b>

\* 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)	CABU	Q3 2020 YTD CLEANBU	Total	CABU	Q3 2019 YTD CLEANBU	Total
Operating revenue, vessels	93 289	27 728	121 018	88 576	6 621	95 197
Voyage expenses	(46 066)	(6 685)	(52 751)	(50 585)	(2 109)	(52 694)
<b>Net revenue</b>	<b>47 224</b>	<b>21 043</b>	<b>68 267</b>	<b>37 991</b>	<b>4 512</b>	<b>42 503</b>
Operating expenses, vessels	(17 980)	(8 520)	(26 499)	(16 285)	(5 116)	(21 401)
Group administrative services	(1 614)	(760)	(2 374)	(2 843)	(526)	(3 369)
Salaries and social expense	(617)	(296)	(913)	-	-	-
Tonnage tax	(73)	(25)	(98)	(87)	(10)	(97)
Other operating and administrative expenses	(397)	(184)	(581)	(677)	(233)	(910)
<b>Operating profit before depreciation (EBITDA)</b>	<b>26 542</b>	<b>11 259</b>	<b>37 801</b>	<b>18 100</b>	<b>(1 374)</b>	<b>16 725</b>
Ordinary depreciation	(8 953)	(4 580)	(13 532)	(7 732)	(1 809)	(9 541)
<b>Operating profit after depreciation (EBIT)</b>	<b>17 589</b>	<b>6 679</b>	<b>24 269</b>	<b>10 367</b>	<b>(3 183)</b>	<b>7 185</b>

Reconciliation of average revenue per onhire day (TCE earnings USD/day)						
(USD'000)	CABU	Q3 2020 YTD CLEANBU	Total	CABU	Q3 2019 YTD CLEANBU	Total
Net revenues from operations of vessels	47 224	21 043	68 267	37 991	4 512	42 503
IFRS 15 adjustment*	(78)	(569)	(647)	(30)	(83)	(113)
Offhire compensation	-	(134)	(134)	-	-	-
Net revenue ex IFRS adjustment	47 146	20 340	67 486	37 961	4 429	42 390
Onhire days	2 335	803	3 138	2 353	246	2 599
<b>Average TCE earnings per onhire day (\$/d)</b>	<b>20 190</b>	<b>25 333</b>	<b>21 506</b>	<b>16 137</b>	<b>17 970</b>	<b>16 312</b>

Reconciliation of opex per day						
(USD'000)	CABU	Q3 2020 YTD CLEANBU	Total	CABU	Q3 2019 YTD CLEANBU	Total
Operating expenses, vessels	17 980	8 520	26 499	16 285	5 116	21 401
Leasing cost previously presented as opex	246	82	328	321	50	371
Start up cost CLEANBU vessels	-	(761)	(761)	-	(1 569)	(1 569)
Operating expenses, vessels adjusted	18 225	7 841	26 066	16 606	3 597	20 202
Operating days	2 466	879	3 345	2 457	336	2 793
<b>Opex per day (\$/d)</b>	<b>7 391</b>	<b>8 920</b>	<b>7 793</b>	<b>6 758</b>	<b>10 705</b>	<b>7 233</b>

## 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 USD'000	Classification	Quarter ended		YTD		Year ended
		30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Revenue from COAs	Freight revenue	22 733	26 961	77 550	66 251	98 110
Revenue from spot voyages	Freight revenue	6 629	7 506	28 295	28 297	32 658
Revenue from TC contracts	Charter hire revenue	6 887	68	15 039	649	5 752
Other revenue	Charter hire revenue	-	-	134	-	-
<b>Total revenue, vessels</b>		<b>36 249</b>	<b>34 535</b>	<b>121 018</b>	<b>95 197</b>	<b>136 521</b>

## 04 Vessels

Vessels (USD '000)	30 Sep 2020	31 Dec 2019
Cost price 1.1	492 075	330 218
Delivery of newbuildings	52 163	155 847
Additions (mainly upgrading and docking of vessels)	3 861	6 010
<b>Costprice end of period</b>	<b>548 098</b>	<b>492 075</b>
Acc. Depreciation 1.1	176 866	163 181
Depreciation for the period	13 205	13 685
<b>Acc. Depreciation end of period</b>	<b>190 071</b>	<b>176 866</b>
<b>Carrying amounts end of period*</b>	<b>358 027</b>	<b>315 208</b>
*carrying value of vessels includes dry-docking		
No. of vessels	13	12
Useful life	25	25
Depreciation schedule	Straight-line	Straight-line

Reconciliation of depreciations USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Depreciation vessels	4 708	3 522	13 205	9 263	13 685
Depreciation right of use assets	113	99	328	278	385
<b>Depreciations for the period</b>	<b>4 821</b>	<b>3 621</b>	<b>13 532</b>	<b>9 541</b>	<b>14 070</b>

### IMPAIRMENT ASSESSMENT

Identification of impairment indicators is based on an assessment 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. The Group experienced somewhat higher opex and more offhire caused by Covid-19, however, TCE earnings for Q3 for both the fleet of CABUs and the fleet of CLEANBUs and diversified market exposure supports the conclusion of no impairment indicators identified as per 30 September 2020. Contract coverage for the CABUs for 2021 is high, while the CLEANBUs will trade in the spot market.

## 05 Newbuildings

The Group has per 30 September 2020 four CLEANBU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in the period Q4 2020 and 1H 2021. The contracts include options for further two (four as per 30.09 however two options expired 10 October 2020) vessels. One vessel, MV Baleen, was delivered in Q3 (note 4), while the fifth CLEANBU, MV Bangus was delivered 13 October 2020 (note 10).

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

(USD '000)	30 Sep 2020	31 Dec 2019
Cost 1.1	62 316	59 877
Borrowing cost	828	1 302
Yard installments paid	48 554	148 170
Other capitalized cost	4 394	8 813
Delivery of newbuildings	(52 163)	(155 847)
<b>Net carrying amount</b>	<b>63 929</b>	<b>62 316</b>

### CAPITAL COMMITMENT

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

Remaining installments at 30 September 2020 (USD '000)	2020	2021	Total
Combination carriers	65 100	65 100	130 200
<b>Total commitments newbuildings</b>	<b>65 100</b>	<b>65 100</b>	<b>130 200</b>

## 06 Financial assets and liabilities

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

During Q3 2020 the Group, with KCC Shipowning AS as Borrower, signed a USD 60 million Sustainability Linked Term Loan and Revolving Credit Facility with Nordea and Credit Agricole to finance two CLEANBU vessels with delivery in 2021. The margin is 2.75% and main terms including parent guarantee and financial covenants are in line with existing financing.

In September the Group issued NOK 200 million in additional bonds in a tap issue under the KCC04 bond loan. The issue price was 98.5% of par and the total outstanding amount under the KCC04 bond loan is NOK700 million. The NOK 200 million was converted to USD fixed rate loan via cross currency interest rate swaps.

(USD '000)				
Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	79 213
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	95 203
SEB/SR-Bank/SPV Facility*	Term loan/RCF, 90.675 mill	LIBOR + 2.3 %	October 2025	-
Nordea/Crédit Agricole**	Term loan/RCF, 60 mill	LIBOR + 2,75 %	March 2026	-
Capitalized loan fees				(597)
<b>Mortgage debt 30 September 2020</b>				<b>173 819</b>

\* Facility relates to financing of the three CLEANBU vessels with delivery in 2020. Term loan facility (USD60.450) expected fully drawn within Q4 2020

\*\* Facility relates to financing of the two CLEANBU vessels with delivery in 2021. Margin adjustment up to 10 bps based on fleet emission performance.

Bond loan	Face value NOK'000	Maturity	Carrying amount 30 Sep 2020 USD'000
KCC03	300 000	27.05.2021	35 370
Buyback KCC03 (Q1 2020)	(158 000)		(18 628)
Exchange rate adjustment			(1 771)
Capitalized expenses			(39)
<b>Sum KCC03</b>			<b>14 932</b>
KCC04	700 000	11.02.2025	76 390
Exchange rate adjustment			(2 590)
Capitalized expenses			(1 083)
Bond discount			(329)
<b>Sum KCC04</b>			<b>72 388</b>
<b>Total bond loan</b>	<b>842 000</b>		<b>87 320</b>

(USD '000)			
Interest bearing liabilities	Fair value 30 Sep 2020	Carrying amount 30 Sep 2020	Carrying amount 31 Dec 2019
Mortgage debt	157 049	157 049	170 074
Capitalized loan fees	-	(597)	(770)
Bond loan	70 294	73 800	34 023
Bond discount	-	(329)	-
Capitalized expenses bond loan	-	(1 083)	(187)
<b>Total non-current interest bearing liabilities</b>	<b>227 344</b>	<b>228 840</b>	<b>203 139</b>
Mortgage debt, current	17 367	17 367	17 367
Bond loan, current	14 931	14 971	-
Capitalized expenses bond loan current	-	(39)	-
Overdraft facility (Secured)	-	-	1 835
<b>Total interest bearing liabilities</b>	<b>259 641</b>	<b>261 139</b>	<b>222 341</b>

## MATURITY PROFILE TO FINANCIAL LIABILITIES AT 30 SEPTEMBER 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.

<b>(USD '000)</b>					
<b>Maturity profile financial liabilities at 30 Sep 2020</b>	<b>&lt; 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Mortgage debt (incl interests)	(22 919)	(91 956)	(74 335)	-	(189 210)
Bond loan (incl interest)	(19 433)	(9 515)	(81 867)	-	(110 815)
<b>Total</b>	<b>(42 352)</b>	<b>(101 471)</b>	<b>(156 202)</b>	<b>-</b>	<b>(300 025)</b>

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

## COVENANTS

As per 30 September 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.

<b>Financial assets</b>		
<b>(USD '000)</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>
<b>Financial instruments at fair value through OCI</b>		
Interest rate swaps	59	-
Forward freight agreements	443	1 056
<b>Financial instruments at fair value through P&amp;L</b>		
Forward freight agreements	-	21
Interest rate swaps	240	202
<b>Financial assets</b>	<b>742</b>	<b>1 279</b>
Current	443	1 077
Non-current	299	202
<b>Financial liabilities</b>		
<b>(USD '000)</b>	<b>30 Sep 2020</b>	<b>31 Dec 2019</b>
<b>Financial instruments at fair value through OCI</b>		
Cross-currency interest rate swap (CCIRS)	6 960	1 438
Interest rate swaps	5 921	364
Fuel Hedge	155	-
Forward freight agreements	47	-
<b>Financial instruments at fair value through P&amp;L</b>		
Interest rate swaps	-	1 825
FX Swaps	-	-
<b>Financial liabilities</b>	<b>13 084</b>	<b>3 626</b>
Current	155	-
Non-current	12 929	3 626

## 07 Financial items

(USD '000)	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Finance income</b>					
Other interest income	37	502	344	1 641	1 885
Fair value changes in FFA	-	99	-	504	21
Gain on foreign exchange	20	1 953	-	1 480	1 074
Other financial income	-	7	-	7	43
<b>Finance income</b>	<b>57</b>	<b>2 561</b>	<b>344</b>	<b>3 631</b>	<b>3 024</b>

(USD '000)	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>Finance cost</b>					
Interest paid to related parties	-	-	-	202	202
Interest expenses mortgage debt	1 678	1 907	5 807	5 303	7 563
Interest expenses bond loan	1 016	563	2 816	1 530	2 124
Interest expenses lease liabilities	21	25	67	69	96
Amortization capitalized fees on loans	139	89	486	243	373
Other financial expenses*	23	-	730	69	86
Fair value changes in FFA	-	-	21	-	-
Fair value changes interest rate swaps**	305	2 577	601	4 539	3 660
Loss on foreign exchange	-	-	103	-	-
<b>Finance cost</b>	<b>3 182</b>	<b>5 159</b>	<b>10 630</b>	<b>11 955</b>	<b>14 105</b>

\*YTD Q3-20 includes premium from buyback of KCC03 in February 2020.

\*\*YTD Q3-20 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 August 2020 (USD 0.03 per share).

In Q3 2020, Klaveness Combination Carriers ASA purchased 33 893 own shares for a total consideration of USD 128k.

## 09 Transactions with related parties

USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
G&A fee to Klaveness AS	404	559	1 250	1 789	2 238
Commercial management fee to Klaveness AS	330	407	1 002	1 333	1 628
Travel expenses and operating cost re invoiced from Klaveness AS	39	74	122	246	530
<b>Group commercial and administrative services</b>	<b>773</b>	<b>1 041</b>	<b>2 374</b>	<b>3 369</b>	<b>4 396</b>

USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Technical management fee to KSM* (reported as part of opex)	808	685	2 338	2 009	2 735
Crewing agency fee to KSM* (reported as part of opex)	273	245	809	700	953
Supervision fee to Klaveness AS (capitalised on newbuildings)	442	455	1 279	583	2 075
Interest cost to related parties (Klaveness Ship Holding AS)	-	-	-	202	202
<b>Total other transactions with related parties</b>	<b>1 523</b>	<b>1 384</b>	<b>4 426</b>	<b>3 495</b>	<b>5 965</b>

\* 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. KCC has per end of third quarter six employees.

## 10 Events after the balance sheet date

The fifth CLEANBU vessel, MV Bangus, was delivered from Jiangsu New Yangzi Shipyard in China at 13 October 2020.

On 16 October 2020, KCC notified to the Bond Trustee that the Company will exercise the bond call option to redeem the entire outstanding amount under the KCC03 issue, of NOK 142 million, with maturity in May 2021. Settlement date is 1 December 2020.

On 20 October 2020 the NOK 200 million tap issue of additional bonds made under the Company's existing senior unsecured bonds (KCC04) with maturity date 11 February 2025 was listed under the initial ISIN number.

There are no other events after the balance sheet date that have material effect on the financial statement as of 30 September 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		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>EBITDA</b>	<b>9 257</b>	<b>7 764</b>	<b>37 802</b>	<b>16 726</b>	<b>25 763</b>
Start up costs CLEANBU vessels	590	647	761	1 569	1 724
<b>EBITDA adjusted</b>	<b>9 847</b>	<b>8 411</b>	<b>38 563</b>	<b>18 295</b>	<b>27 487</b>

Reconciliation EBIT adjusted USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
<b>EBIT</b>	<b>4 436</b>	<b>4 143</b>	<b>24 269</b>	<b>7 185</b>	<b>11 692</b>
Start up costs CLEANBU vessels	590	647	761	1 569	1 724
<b>EBIT adjusted</b>	<b>5 026</b>	<b>4 790</b>	<b>25 031</b>	<b>8 755</b>	<b>13 417</b>

Reconciliation of average revenue per onhire day (TCE earnings) USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Net revenues from operations of vessels	20 358	16 571	68 267	42 503	61 327
Offhire compensation	-	-	-	-	15
IFRS 15 adjustment*	(370)	(354)	(647)	(113)	680
Net revenue ex IFRS adjustment	19 988	16 217	67 620	42 390	62 022
Onhire days	984	895	3 138	2 599	3 636
<b>Average revenue per onhire days (\$/d) (TCE earnings)</b>	<b>20 310</b>	<b>18 127</b>	<b>21 506</b>	<b>16 312</b>	<b>17 060</b>

Reconciliation of opex per day USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Operating expenses, vessels	9 753	7 563	26 499	21 401	29 913
Leasing cost previously presented as opex	113	172	328	371	445
Reversal provision	-	-	-	-	285
Start up costs CLEANBU vessels	(590)	(647)	(761)	(1 569)	(1 724)
Operating expenses, vessels adjusted	9 276	7 088	26 066	20 203	28 919
Operating days	1 161	993	3 345	2 793	3 897
<b>Opex per day (\$/d)</b>	<b>7 990</b>	<b>7 138</b>	<b>7 793</b>	<b>7 233</b>	<b>7 421</b>

Reconciliation of total assets to capital employed and return on capital employed (ROCE) calculation. USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Total assets	502 166	453 002	502 166	453 002	459 262
Total liabilities	286 051	241 605	286 051	241 605	245 384
Total equity	216 115	211 397	216 115	211 397	213 878
Total interest-bearing debt	261 139	225 451	261 139	225 451	222 341
<b>Capital employed</b>	<b>477 254</b>	<b>436 848</b>	<b>477 254</b>	<b>436 848</b>	<b>436 219</b>
EBIT adjusted annualised	20 104	19 160	33 374	11 673	13 417
<b>ROCE adjusted</b>	<b>4 %</b>	<b>4 %</b>	<b>7 %</b>	<b>3 %</b>	<b>3 %</b>

\* 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.



Reconciliation of equity ratio USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Total assets	502 166	453 002	502 166	453 002	459 262
Total equity	216 115	211 397	216 115	211 397	213 878
<b>Equity ratio</b>	<b>43 %</b>	<b>47 %</b>	<b>43 %</b>	<b>47 %</b>	<b>47 %</b>

Reconciliation of total interest-bearing debt USD'000	Quarter ended		YTD		Year ended
	30 Sep 2020	30 Sep 2019	30 Sep 2020	30 Sep 2019	31 Dec 2019
Mortgage debt	156 452	173 061	156 452	173 061	169 304
Long-term bond loan	72 388	32 779	72 388	32 779	33 836
Short-term mortgage debt	17 367	16 936	17 367	16 936	17 367
Other interest bearing liabilities	-	2 676	-	2 676	1 835
Short-term bond loan	14 932	-	14 932	-	-
<b>Total interest-bearing debt</b>	<b>261 139</b>	<b>225 452</b>	<b>261 139</b>	<b>225 452</b>	<b>222 341</b>



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