

FINANCIAL STATEMENTS

KLAVENESS SHIP HOLDING CONSOLIDATED

PRELIMINARY RESULTS

28.02.2014

KEY FIGURES

| USD '000 | SEMI ANNUAL | | FULL YEAR |
|----------------------------------------------------|------------------|-----------------|-----------|
| | Second half 2013 | First half 2013 | 2013 |
| Key financials | | | |
| Gross operating revenues | 61 003 | 46 083 | 107 086 |
| EBITDA | 36 639 | 27 009 | 63 648 |
| Profit/(loss) after tax (incl. minority interests) | 11 611 | 18 796 | 30 407 |
| Profit/(loss) after tax (excl. minority interests) | 10 325 | 16 443 | 26 768 |
| | | | |
| Total assets | 573 007 | 477 691 | 573 007 |
| Equity ratio | 49% | 51 % | 49% |
| NIBD/EBITDA ¹⁾ | 2,6 | 2,0 | 2,6 |
| Cash and bank deposits | 99 612 | 86 580 | 99 612 |

¹⁾ Annualised EBITDA for newbuildings delivered in the period.

2013 HIGHLIGHTS

2013 was a year characterised by growth for Klaveness Ship Holding AS (KSH). Three container vessels and two specialised selfunloader vessels were delivered from yards, and a further two container vessels, two kamsarmax dry bulk vessels and two specialised cabu vessels were ordered. The market for Klaveness' specialized vessels continued to be good in 2013. Several contracts were renewed during the year, securing a continuation of volumes carried in the past.

The market for Klaveness' container vessels continued to be weak in 2013. Still, all of the group's container vessels were fully employed through the year and all contracts that expired were renewed with existing customers. In the first half of 2013, Klaveness swapped one of its new builds for another container vessel at YZJ shipyard in China, and purchased two additional 2,500 TEU container vessels from the same yard. These three vessels will be delivered in the first quarter of 2014.

In standard dry bulk investments, it was decided to invest in two 82,000 dwt dry bulk vessels at YZJ ship yard with delivery in 2015. Further, Klaveness entered into cooperation with Tufton Oceanic for a new building program for vessels of this type, and sold several new build contracts to a Tufton Oceanic managed account.

There have been no major incidents or disruptions to the operations of the KSH entities in 2013.

Klaveness is still under investigation by Norwegian authorities for possible irregular commission payments to a broker in the late 1990's and early 2000's related to renewals of a freight contract entered into in 1995. There is still no conclusion in this matter. At the same time Klaveness and the customer in question have agreed to settle their disputes and entered into a new long term commercial freight agreement.

Klaveness Container Holding AS and Klaveness Container AS were during the year established as a subsidiary group under KSH and Klaveness Bulk Holding AS and Klaveness Bulk AS were established as another subsidiary group under KSH. Following the restructuring all ship owning activities and vessels in the Torvald Klaveness group are now gathered under the corporate umbrella of KSH.

NEWBUILDING PROGRAM

The selfunloader newbuildings MV Balto and MV Balchen and the container vessels MV Balao, MV Ballenita and MV Balsa were delivered from the yards in 2013. A subsidiary of KSH also entered into an agreement with Jiangsu New Yangzi Shipbuilding Co. Ltd. to swap the fourth container newbuilding for another newbuilding (MV Baleares), which resulted in both a price reduction and an earlier delivery of the vessel.

In July, Klaveness Container AS, a subsidiary of KSH, entered into an agreement with Jiangsu New Yangzi Shipbuilding Co. Ltd. in China to purchase two 2,500 TEU container vessels currently under construction. The vessels are expected to be delivered in the first quarter of 2014. In September, Klaveness Bulk AS, a subsidiary

of KSH, entered into a contract with the same yard for an order of two 82,000 DWT Kamsarmax dry bulk vessels including options for more vessels. The vessels are estimated to be delivered in the second half of 2015.

T. Klaveness Shipping, a subsidiary of KSH, entered into a contract with Zhejiang OuHua Shipbuilding Co. Ltd. in China for an order of two 80,500 DWT combination carriers. The vessels are estimated to be delivered in 2016 and will be part of the cabu fleet of vessels. The contract includes options for further vessels, declarable in 2014.

GENERAL INFORMATION

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP).

PROFIT AND LOSS STATEMENT PER 31.12.2013

Operating revenues for 2013 was USD 107.1 million and operating costs amounted to USD 43.4 million. EBITDA was USD 63.6 million and net financial items were negative by USD 6.7 million. Net profit after tax was USD 30.4 million, whereof USD 3.6 million was minority interests related to external investors in some of the cabu vessels.

The result was positively impacted by a reversal of impairments on the container vessels of USD 7.5 million related to the swap from one container newbuilding to another container newbuilding at the same yard.

The results were negatively impacted by positioning costs and upstoring of new vessels, and the new container vessels were also negatively impacted by upstoring and other initial costs in addition to earning low rates in the currently weak container market.

The financial costs have increased due to the increase in interesting bearing debt, both related to delivery of newbuildings, refinancing of existing debt and the issuance of a bond. The interest rate exposure has been partly mitigated through fixed interest rate swaps and the USDNOK exposure related to the bond has been fixed.

BALANCE SHEET PER 31.12.2013

Total assets increased by USD 95.3 million in the second half of 2013 and are USD 573 million by the end of 2013. Fixed assets increased by USD 78.8 million due to the delivery of two newbuildings in September. Current assets were USD 121.8 million by the end of December, up from USD 105.4 million per second half 2013. Cash and bank deposits were USD 86.6 million.

Total equity increased by USD 37.4 million during second half of 2013. This corresponds to a book equity ratio of 49%, down from 51% at the first half of 2013.

The interest-bearing debt rose by USD 62.8 million during second half of 2013 and amounted to USD 283.8 million at year end 2013.

BUSINESS SEGMENTS

By end of 2013 the fleet consisted of six cabu vessels, one LR tanker, five selfunloaders and five container vessels. In addition, Klaveness Ship Holding on a consolidated basis had three container vessels, two Kamsarmax and two cabu vessels under construction.

Cabu: The cabu earnings remained stable despite a weak dry bulk market in the first half of 2013 and then improved somewhat in the second half of 2013 as a result of improving market conditions and increased caustic soda coverage. Several contracts were renewed during the year, securing a continuation of volumes carried in the past.

Selfunloader: The selfunloader earnings were influenced by bad weather conditions in the beginning of the year but rates, improved in the second quarter and improved further during the second half of 2013. The average rate was somewhat lower than in 2012, but still at a satisfactory level.

Container: The container earnings were negatively impacted by weak freight rates but the sailing vessels have continuously been employed on short-term time charters with liner companies, and the new vessels have all achieved rates reflecting their premium fuel efficiency.

MAIN RISKS

The KSH group of companies are exposed to market risk, and the underlying markets can be very volatile. As a mitigating factor the group has a fleet of specialized vessels operating in markets that have historically provided more stable earnings.

The group has entered into fixed interest rate agreements for a substantial portion of the group debt. The company has limited exposure to the currency market as mainly all income and costs are USD denominated.

Operational risks are managed through quality assurance procedures and systematic training of seafarers and land based employees. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat of such attacks.

KSH has on a consolidated basis seven vessels under construction at two yards in China and is therefore exposed to the risk of delay or failure of the yards to complete the vessels. The building work is progressing as planned. Klaveness has dedicated personnel on site supervising the building process and tier one Chinese banks have provided refund guarantees.

A large newbuilding program increases the company's financial and liquidity risk in the building period and Klaveness has secured bank financing for the newbuildings scheduled to be delivered in 2014 to mitigate this risk. The liquidity risk of the group is deemed acceptable and current cash and projected operating cash flow is considered sufficient to cover the group's current liabilities.

KLAVENESS SHIP HOLDING CONSOLIDATED

PROFIT AND LOSS ACCOUNT

| USD '000 | 31.12.2013 | Proforma 31.12.2012 |
|-------------------------------------------------|----------------|------------------------|
| <u>OPERATING REVENUES AND EXPENSES</u> | | |
| Operating revenues, vessels | 106 427 | 100 146 |
| Other operating revenues | 659 | |
| Total operating revenues | 107 086 | 100 146 |
| Operating expenses, vessels | -39 336 | -27 711 |
| Group administrative services | -3 362 | |
| Ordinary depreciation | -29 698 | -26 171 |
| (Write-downs) / reversal of write-downs | 3 840 | -31 164 |
| Tonnage tax | -198 | -174 |
| Other operating and administrative expenses | -542 | -2 745 |
| Total operating expenses | -69 296 | -87 965 |
| Operating result | 37 790 | 12 181 |
| <u>FINANCIAL INCOME AND EXPENSES</u> | | |
| Interest received from group companies | 1 | 5 |
| Other interest income | 151 | 126 |
| Other financial income | 58 | 2 |
| Interest paid to group companies | -64 | -102 |
| Other interest expenses | -5 971 | -1 817 |
| Other financial expenses | -645 | -247 |
| Gain / (loss) on foreign exchange | -270 | 194 |
| Result of financial items | -6 740 | -1 839 |
| Ordinary result before tax | 31 050 | 10 342 |
| Tax on ordinary result | -643 | -481 |
| Ordinary result | 30 407 | 9 861 |
| Net profit / (loss) for the year | 30 407 | 9 861 |
| Minority interest of net profit | 3 639 | 6 070 |
| Majority interest of profit for the year | 26 768 | 3 790 |

KLAVENESS SHIP HOLDING CONSOLIDATED

BALANCE SHEET

| USD '000 | 31.12.2013 | Pro forma 31.12.2012 |
|----------------------------------------------------|----------------|-------------------------|
| ASSETS | | |
| <u>FIXED ASSETS</u> | | |
| Intangible assets | | |
| Deferred tax asset | 89 | 283 |
| Goodwill | 0 | 42 |
| Total intangible assets | 89 | 325 |
| Tangible assets | | |
| Vessels | 423 558 | 209 413 |
| Newbuilding contracts, vessels | 27 527 | 77 140 |
| Total tangible assets | 451 085 | 286 553 |
| Financial fixed assets | | |
| Investments in associated companies | 0 | 22 |
| Total financial fixed assets | 0 | 22 |
| Inventory | 1 745 | 0 |
| Total inventories | 1 745 | 383 |
| Receivables | | |
| Accounts receivable (charter) | 24 | 3 658 |
| Receivables from group companies | 10 116 | 30 037 |
| Prepaid expenses | 1 126 | |
| Other short-term receivables | 9 210 | 5 547 |
| Total receivables | 20 476 | 39 242 |
| Other current assets, silent partnership companies | | |
| Cash and bank deposits | 99 612 | 39 429 |
| Total current assets | 121 833 | 79 054 |
| TOTAL ASSETS | 573 007 | 365 954 |

KLAVENESS SHIP HOLDING CONSOLIDATED

BALANCE SHEET

| USD '000 | 31.12.2013 | Pro forma 31.12.2012 |
|------------------------------------------|----------------|-------------------------|
| EQUITY AND LIABILITIES | | |
| <u>EQUITY</u> | | |
| Paid-in capital | | |
| Share capital 1 000 shares at NOK 12 000 | 1 817 | 1 654 |
| Share premium | 15 314 | 477 |
| Other paid-in capital | 18 085 | 5 585 |
| Total paid-in capital | 35 217 | 7 716 |
| Retained earnings | | |
| Other equity | 235 174 | 206 678 |
| Total retained earnings | 235 174 | 206 678 |
| Minority interests | 8 555 | 14 438 |
| Total equity | 278 945 | 228 832 |
| <u>LIABILITIES</u> | | |
| Other long-term liabilities | | |
| Debt to shareholders | | |
| Debt to financial institutions | 185 962 | 96 763 |
| Debt to group companies | 0 | 3 832 |
| Long term bond | 51 444 | 3 938 |
| Total other long-term liabilities | 237 407 | 104 533 |
| Current liabilities | | |
| Interest bearing debt | 43 361 | 886 |
| Accounts payable | 1 654 | 5 236 |
| Debt to group companies | 4 359 | 0 |
| Tax payable | 484 | 4 473 |
| Tonnage tax payable | 198 | 174 |
| Other current liabilities | 6 600 | 21 821 |
| Total current liabilities | 56 656 | 31 704 |
| Total liabilities | 294 062 | 136 237 |
| TOTAL EQUITY AND LIABILITIES | 573 007 | 365 069 |

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the preliminary consolidated financial statements for the period 1 January to 31 December 2013 have been prepared in accordance with the Norwegian Accounting Act and NGAAP and give a true and fair view of the company's assets, liabilities, financial position and profit. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the last six months of the financial year and their impact on the consolidated financial statements of the company, and a description of the principal risks and uncertainties for the near term outlook.

Vækerø, 28 February 2013

Lasse Kristoffersen

Chairman

Rebekka Glasser Herlofsen

Board member

Morten Skedsmo

Board member

Jarle Kverneggen

General Manager