

Torvald Klaveness



Key events



Company



Business segments



Digitization



Financials



Improving the nature of Shipping

www.klaveness.com



Key events

2016	o EGD joined as 50% partner in two combination newbuilds
	o Secured financing for three combination newbuilds with delivery in 2018/2019
	o The KMAX vessel, MV Bavang, was delivered in February
2015	o Agreed to sell its fleet of five selfunloading vessels for \$190M to Marbulk/CSL/Algoma
	o Three 83,500 DWT combination carriers ordered from Jiangsu New Yangzi Shipbuilding Co., Ltd
	o Canceled one of two KMAX newbuilds ordered at Jiangsu New Yangzi Shipbuilding Co., Ltd
	o Secured financing for three combination carrier newbuilds with delivery in 2016/2017, two existing combination carriers and the KMAX newbuild
2014	o Refinanced one combination vessel in Q3 2014
	o Issued NOK 400 million bond (KSH02) and repurchased NOK 100 million in KSH01
	o Container vessels MV Baleares, MV Bardu and MV Banak were delivered
	o Three combination carriers ordered from Zhejiang Ouhua Shipbuilding Co. Ltd.
	o Ordered two KMAX dry bulk vessels and sold options for six vessels
	o Klaveness and Alba reached a settlement agreement and entered into a new freight contract

Actions taken to align business with strategy and risks

Sale of selfunloader vessels

- The five selfunloader vessels sold for USD 190 mn in January 2016
- The sales price was well in line with the company's valuation of the vessels as specialized vessels
- The vessels were not commercially operated by Klaveness
- As a result of the sale the exposure to a weak dry bulk market was reduced

Partner in combination vessels

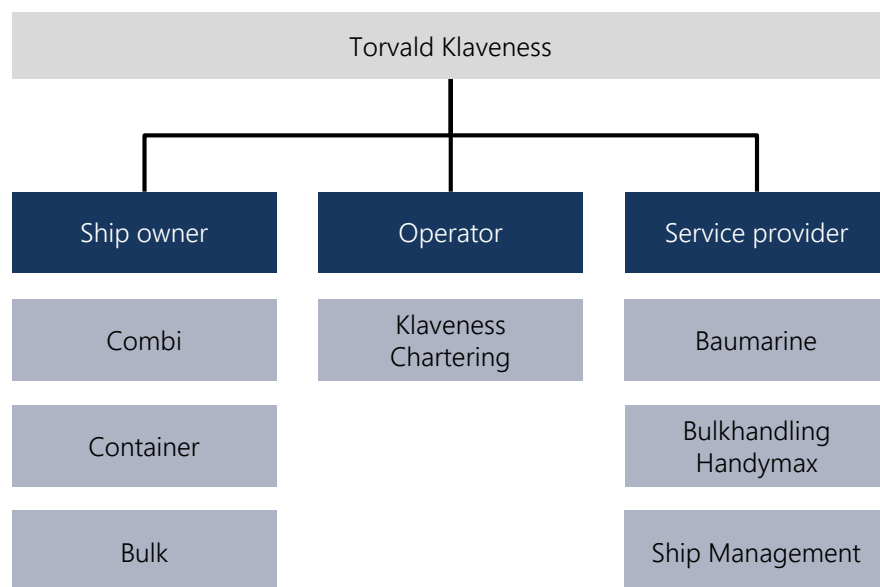
- EGD joined as partner in two combination newbuilds with delivery in 2016/2017
- Continuation of long tradition of investing with partners
- Risk sharing both on the up-side and down-side
- Ability to increase the size of the combination segment

Bavang marketed for sale

- The kamsarmax vessel Bavang has been marketed for sale
- Ability to take positions in dry bulk market without owning vessels and with limited use of balance sheet capacity
- Reduction of overall dry bulk exposure in weak markets
- The vessel has been written down and a sale will not trigger losses
- Options for six sister vessels sold with profit in 2014

Introduction – Torvald Klaveness

- Torvald Klaveness is a global shipping company operating around 120 vessels in the dry bulk and container markets with a strong presence within specialized dry bulk.
- Since the foundation of the company in 1946, growth has been achieved through seeking new and innovative ways of providing cost-efficient and predictable transportation services to customers.
- Klaveness is one of the leading service providers and dry bulk operators in the world and carries around 60 million tons cargo and makes more than 1,100 vessel fixtures each year.

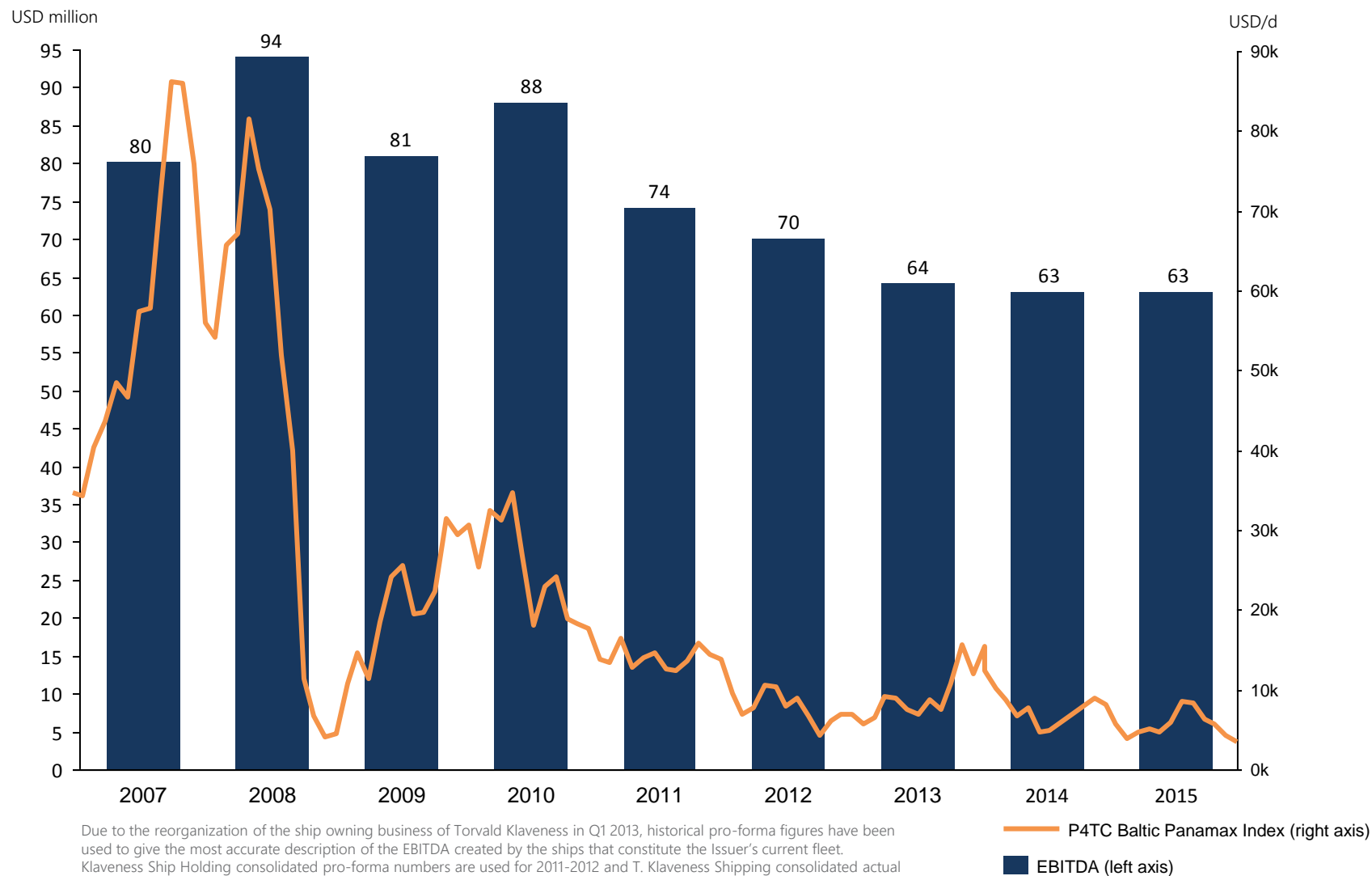


Issuer – Klaveness Shipholding AS

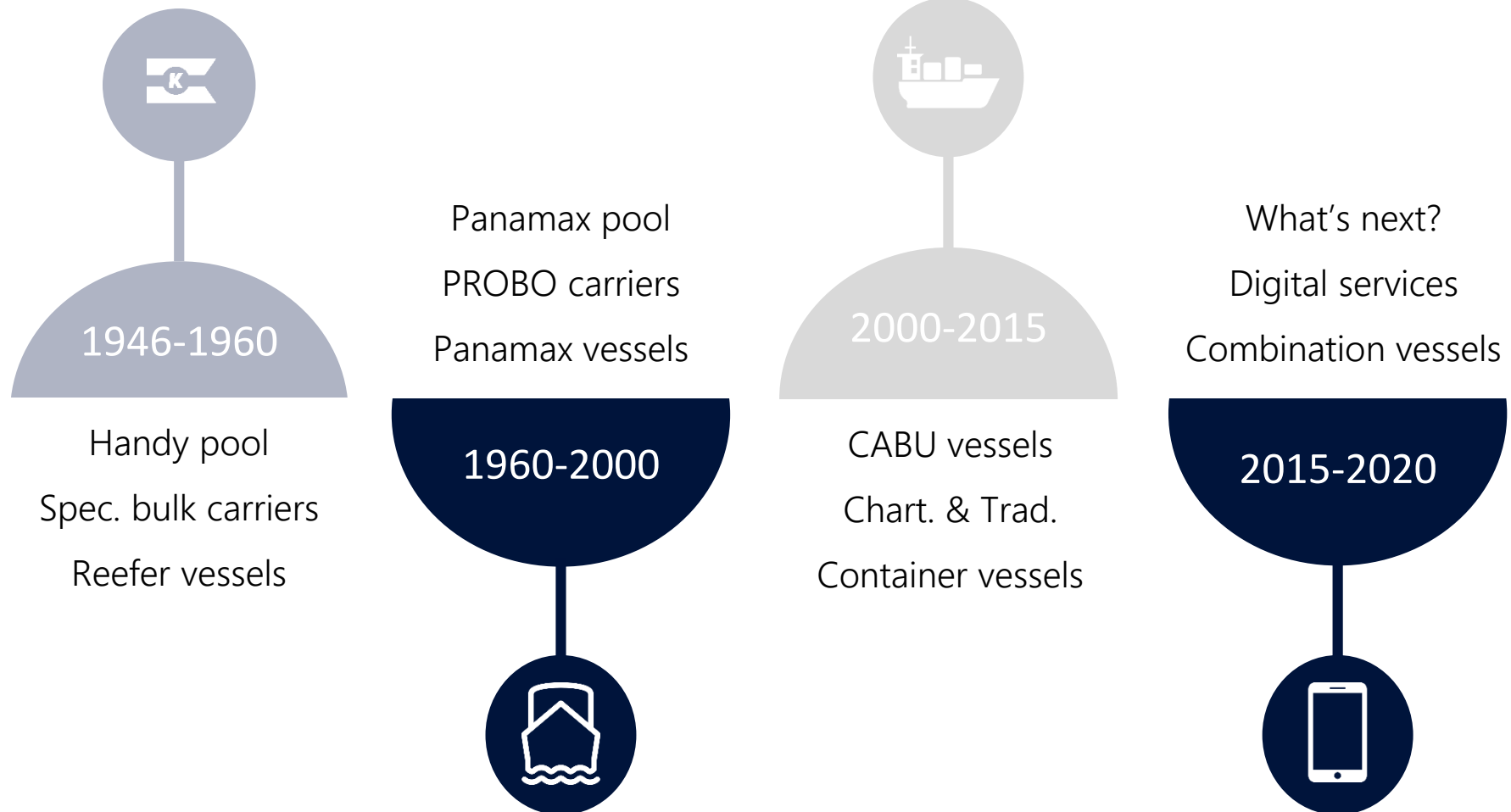
- The Issuer is the holding company of the ship owning arm of Torvald Klaveness and is 100% directly owned by Rederiaksjeselskapet Torvald Klaveness
- The Issuer has consistently delivered a strong and stable cash flow due to its strategic focus on attractive niches
- Strong market positions in key niche shipping segments and solid contract coverage for combination carriers
- Klaveness reorganized the vessel owning arm in 2013 to gather the ship owning entities under one corporate umbrella, Klaveness Ship Holding, to simplify as well as strengthen the corporate structure

Combi		Container	Bulk
MV Banasol 2001 / 72 562 DWT	<u>Newbuildings</u> MV Balbao 2016 / 80 500 DWT	MV Baro 2004 / 1 740 TEU	MV Bavang 2016 / 82 000 DWT
MV Barcarena 2001 / 72 562 DWT	MV Baffin 2016 / 80 500 DWT	MV Barry 2004 / 3 091 TEU	
MV Banastar 2001 / 72 562 DWT	MV Ballard 2017 / 80 500 DWT	MV Balao 2013 / 2 500 TEU	
MV Bangor 2002 / 72 562 DWT	Newbuilding # 4 2018 / 83 500 DWT	MV Ballenita 2013 / 2 500 TEU	
MV Bantry 2005 / 72 456 DWT	Newbuilding # 5 2018 / 83 500 DWT	MV Balsa 2013 / 2 500 TEU	
MV Bakkedal 2007 / 72 456 DWT	Newbuilding # 6 2018 / 83 500 DWT	MV Baleares 2014 / 2 500 TEU	
		MV Banak 2014 / 2 500 TEU	
		MV Bardu 2014 / 2 500 TEU	

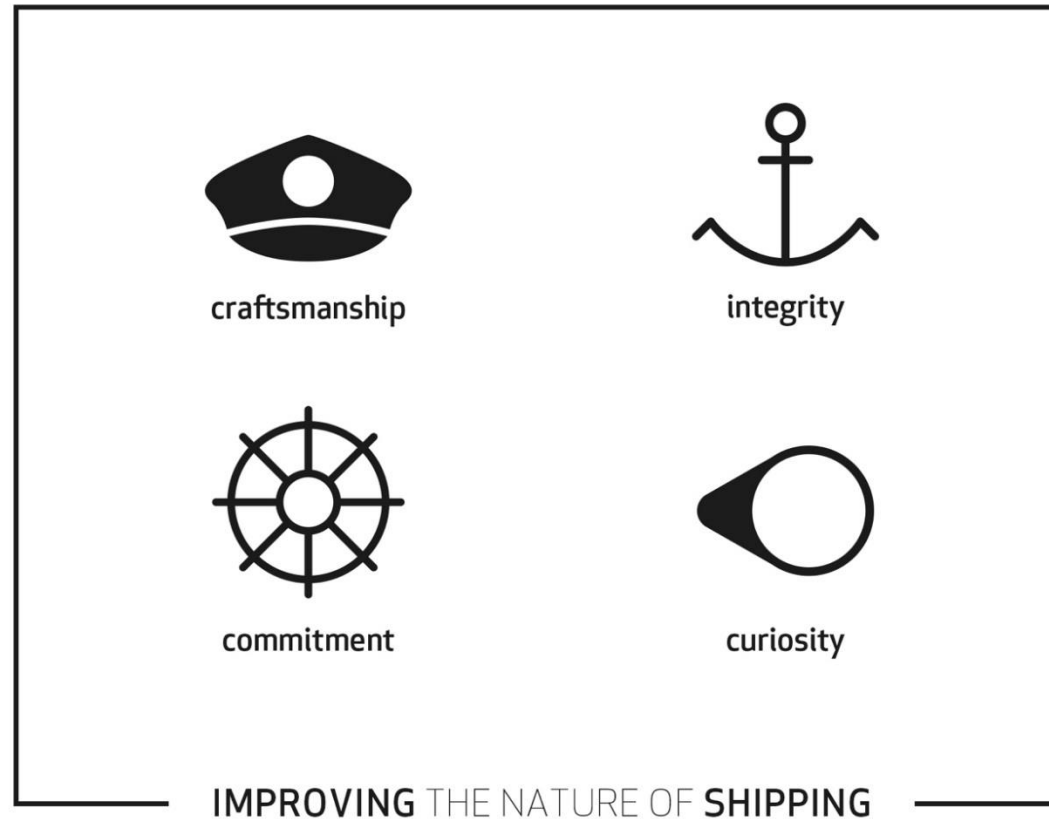
Strong and stable cash flow in weak shipping markets



70 years of shipping industry experience and innovation

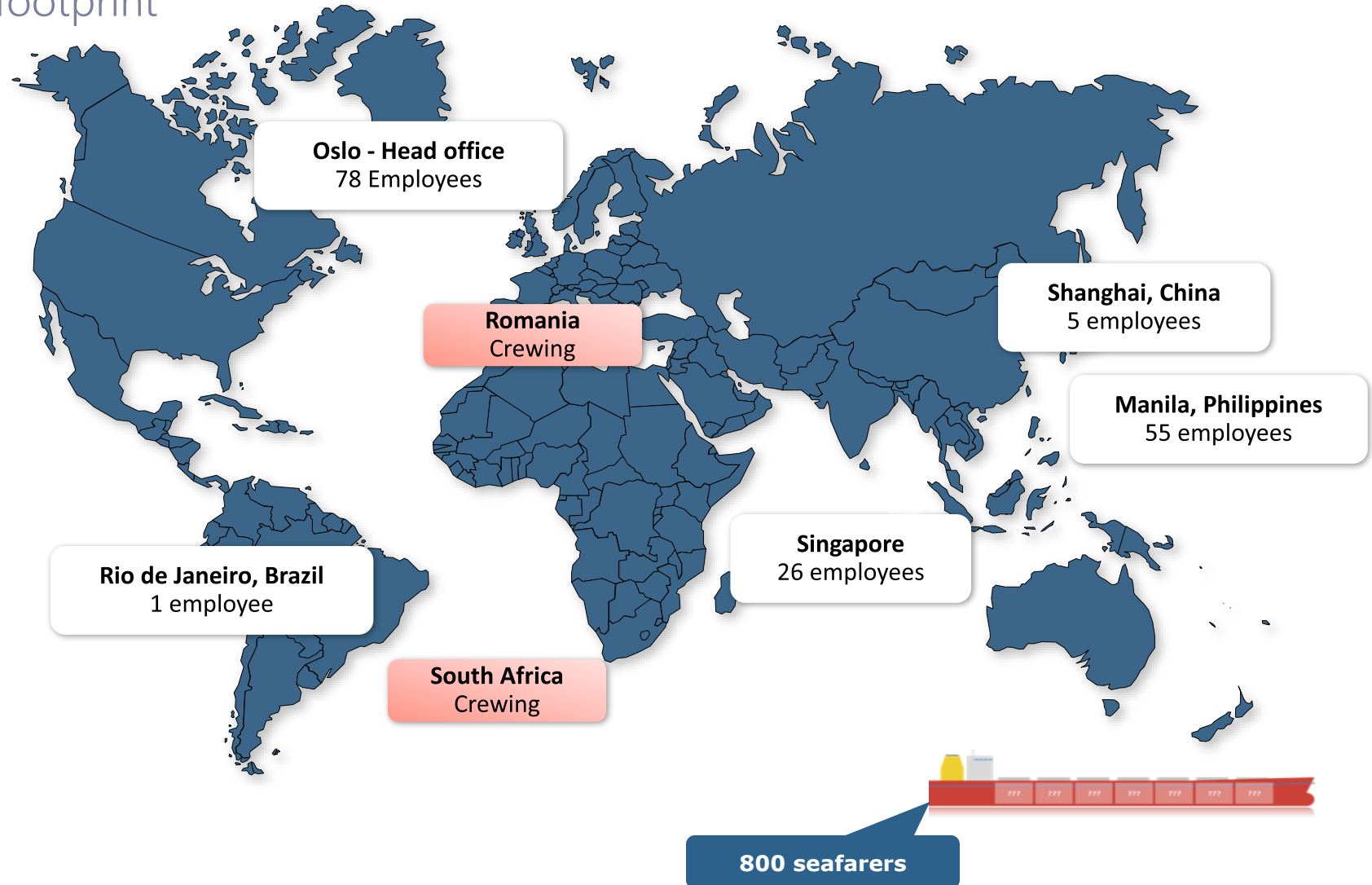


Purpose & values



Torvald Klaveness:

Global footprint



Experienced management team



Lasse Kristoffersen
(b. 1972) – CEO

Appointed CEO of Torvald Klaveness in September 2011 after four years as Head of the Specialized Dry Bulk activities.

Worked 11 years for Det Norske Veritas prior to joining Klaveness.

Holds a Master of Science in Naval Architecture and Marine Engineering from NTNU.

Aleksander M. Stensby
(b. 1984) – CDO

Appointed Chief Digital Officer in January 2016 after leading the Klaveness Innovation Lab since March 2015. CEO at Monokkel AS prior to joining Klaveness.

Co-founded and worked 10 years at Integrasco AS.

Holds a Master of Computer Science from University of Agder.

Rebekka Glasser Herlofsen
(b. 1970) – CFO

Board member of Torvald Klaveness 2009 - 2011 and CFO from January 2012.

10 years experience from BW Gas including position as EVP Business Development.

5 years Corporate Finance experience from Enskilda Securities. Member of Board of Directors in Statoil and DNV GL.

Holds a Master of Science from NHH.

Engebret Dahm
(b. 1965) – Head of Combination Carriers

Appointed Head of Combination Carriers in January 2015.

CEO of Norwegian Car Carriers AS prior to joining Klaveness.

Held various positions in Klaveness 1990-2006 amongst others as head of the transloader and beltunloader business.

Holds a Master of Science from NHH.

Niels Josefsen
(b.1962) - Head of Dry Bulk

Has been with Torvald Klaveness since 2003. Started up the Klaveness office in Beijing and between 2006-2015 President of Klaveness Asia, Singapore.

Held various positions in A.P. Moller Maersk and moved to Beijing in 1999 to establish their Dry Bulk activities in China.

Master Mariner from the A.P. Moller Maersk supplemented with INSEAD Executive Program.

Morten Skedsmo
(b. 1969) – Head of Ship Owning & Service Development

Appointed Head of Ship Owning & Projects in September 2012. From 2016 Head of Ship Owning and Service Development.

Started working for Klaveness in 1990 and has held a wide range of positions within chartering, marketing and business development.

EVP of Klaveness Asia in Singapore from 2009-2011.

Bent Martini
(b. 1967) – COO

Has been with Torvald Klaveness since 2006 and was appointed COO in January 2012.

COO in HSD Sjø AS prior to joining Klaveness.

11 years experience from the Norwegian Navy, amongst other as Commanding Officer.

Holds a degree from the Norwegian Naval Academy.

Our goal is to make the life of our customers **easier**,
more efficient and **better informed**



Establish a global
combi service



Build the leading
digital operator



Provide the most
useful and intuitive digital
services in shipping

Combination carriers: Value generation on several levels

The design allows for trade pattern optimization



- The Issuer currently owns six combined caustic soda and dry bulk carriers. Three other vessels with similar features exist.
- A subsidiary of the Issuer has six additional combination carriers under construction on two different yards in China with delivery in 2016(2), 2017(1), 2018(2) and 2019(1).
- The vessels are Klaveness' own concept, mainly designed to service the alumina industries. Klaveness has a unique position in the caustic soda trade to Australia due to the efficient trading pattern and logistics system.
- One external investor (Taiship) owns 50% in two vessels and 19% in one vessel (in addition Trond Harald Klaveness owns 5% of one vessel through an entity outside the Torvald Klaveness group). Another external investor, EGD Shipholding AS, will own 50% in each of two newbuilds.

Reduced freight costs due to larger lot sizes and optimal trading patterns with minimal ballast.

Reduced demurrage costs due to fewer port calls and optimization of scheduling.

Reduced environmental footprint: Minimum ballast implies reduction in emissions per transported ton of CSS.

Operational excellence: Dedicated tonnage with experienced crew gives cargo and trade familiarity.

Combination carriers: Cabu a unique concept

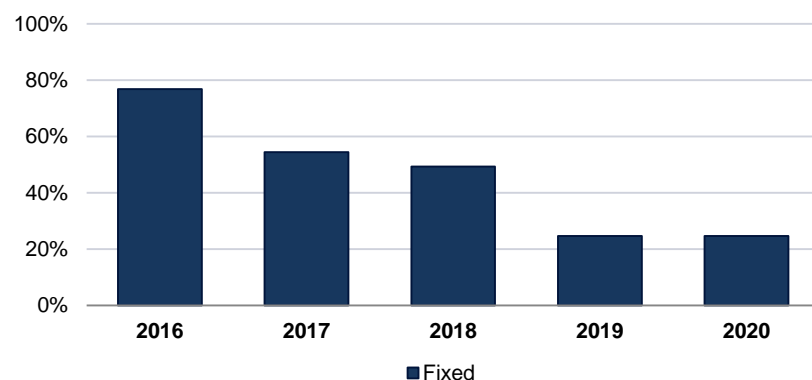
Historically high coverage for caustic soda days

Name	2009	2010	2011	2012	2013	2014	2015
COA coverage for caustic soda days	100%	100%	93%	84%	85%	93%	95%
Utilisation caustic soda days	~ 100%	~ 100%	~ 100%	~ 100%	~ 100%	~ 100%	~ 100%
Average duration (years) – beginning of year	3.0 ²⁾	2.3 ²⁾	3.1	2.3	2.9	2.9	4.0
Average CABU fleet size ¹⁾	6.5	7.0	7.0	7.0	7.0	6.1	6.0

¹⁾ 2009-2014: 6 Cabu + 1 LR, 2015: 6 Cabu

²⁾ Unweighted average

Caustic soda coverage



Strong earnings and client base

- Approximately 50% of total trading days are caustic soda transportation days.
- Contract coverage on caustic soda legs are important, while being spot on the dry legs gives flexibility. In addition dry bulk volumes are higher.
- Utilization is close to 100% for both the dry and caustic soda legs.
- Due to both low dry bulk and tank markets earnings have come down to around USD 18,000 - 19,000/d in 2016.

Container: Eco-efficient vessels with gears

Container vessels with state of the art design

- Klaveness owns eight container vessels, whereof six modern vessels delivered in 2013 and 2014.
- Geographical focus is on the Intra-Asian market.
- The 2,500 TEU vessels are considered state of the art design with eco-features and gears, giving them a competitive advantage.
- The 2,500 TEU vessels are fixed at levels Klaveness considers to be a premium to standard tonnage resulting from the eco-efficiency.
- Average TC hire is at the moment USD 7,200/d.
- Klaveness has chosen to fix the vessels on short term time charters as a result of the low rates currently obtainable on longer fixtures.

High-quality charterers

Vessel	Yard	TEU	Built	Employment expiry period
MV Balears	Yangzijiang	2,546	2014	Oct.2016-Jan.2017
MV Banak	Yangzijiang	2,546	2014	May.2017-Aug.2017
MV Bardu	Yangzijiang	2,546	2014	Nov.2016-Mar.2017
MV Balao	Yangzijiang	2,546	2013	Sep.2016-Feb.2017
MV Ballenita	Yangzijiang	2,546	2013	Sep.2016-Dec.2016
MV Balsa	Yangzijiang	2,546	2013	Jan.2017-Mar.2017
MV Barry	Szczecin	3,091	2004	Sep.2016-Nov.2016
MV Baro	Wenchong	1,740	2004	Sep.2016-Nov.2016



Energy, Digitization and the move towards a Sharing Economy are substantial **opportunities** for value creation



Energy

Uncertainties associated with the cost and source of energy



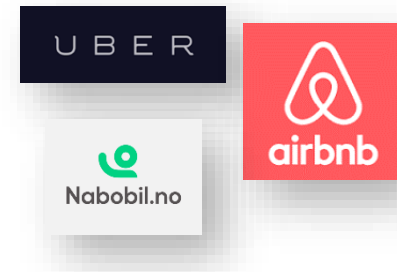
Digitization

Digitization accelerate speed and the magnitude of change

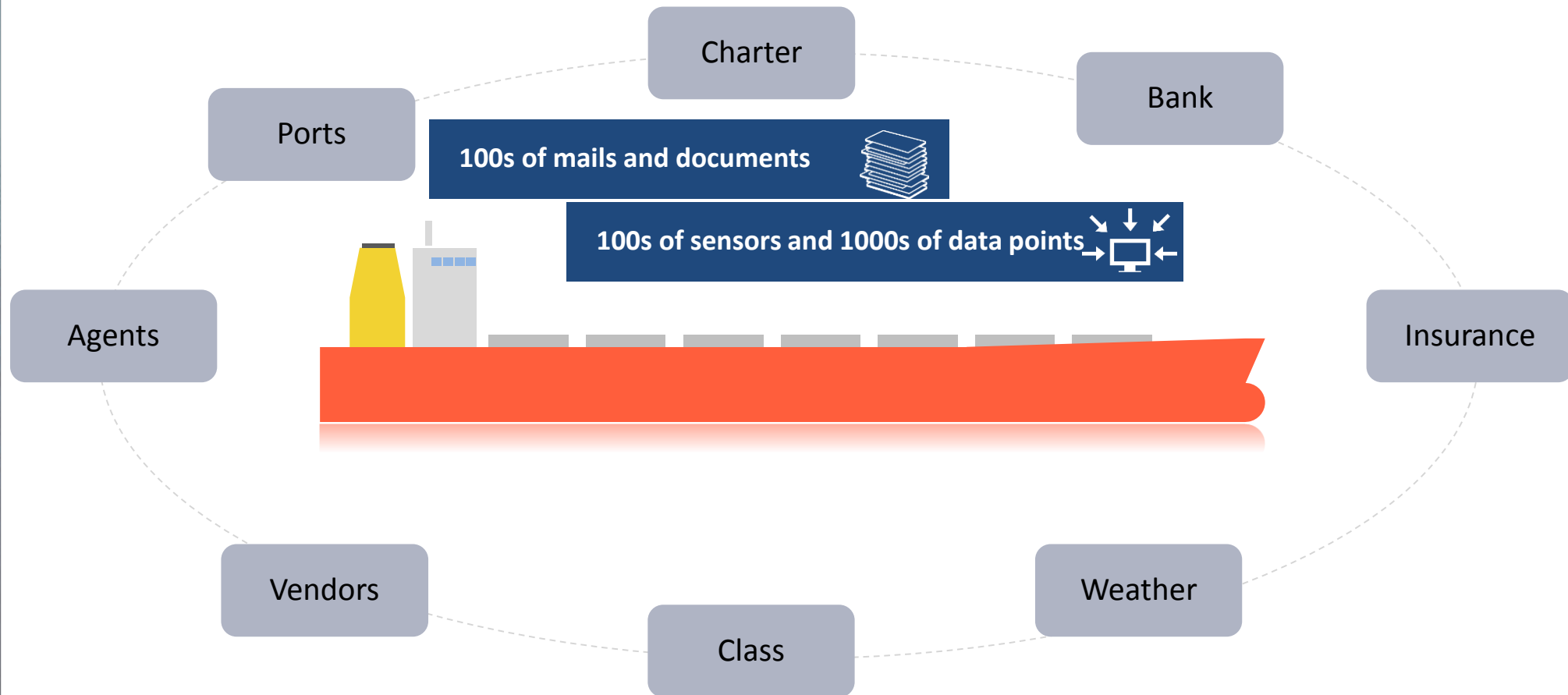


Sharing Economy

Sharing economy enables optimization of resources

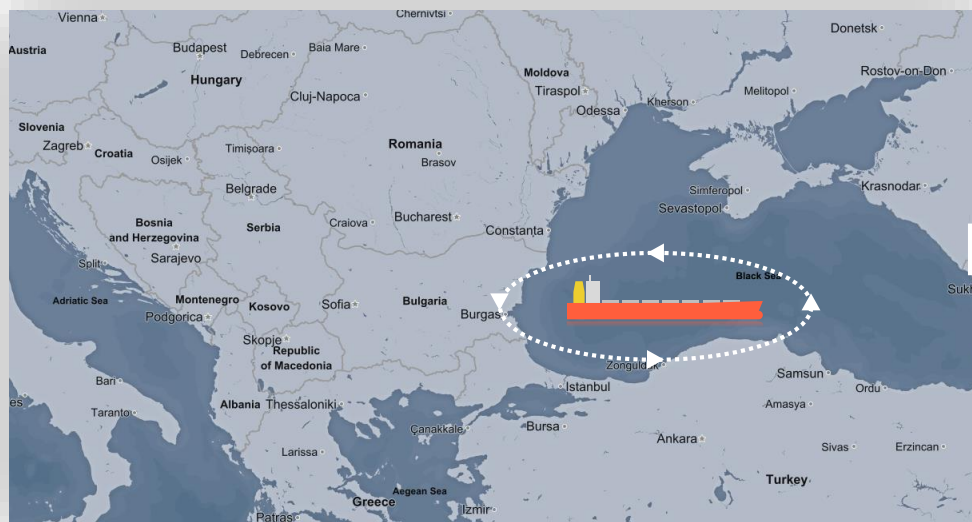


Ships are definitely part of the information business.....



...and we believe **digitization** and **sharing economy** will fundamentally change the ecosystem

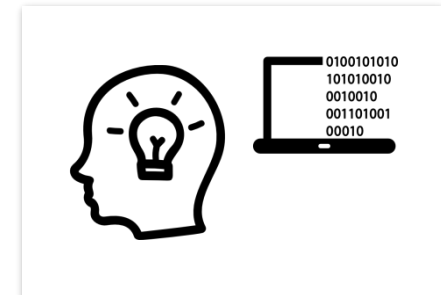
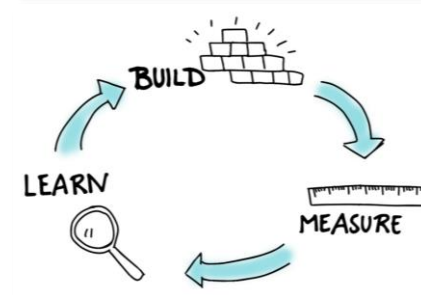
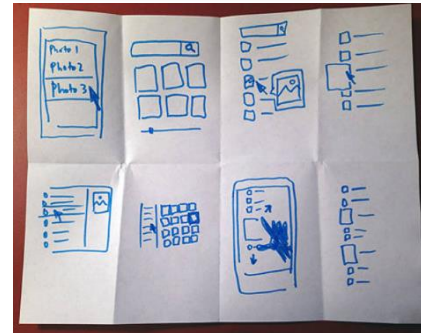
From **EACH** ship as a system...



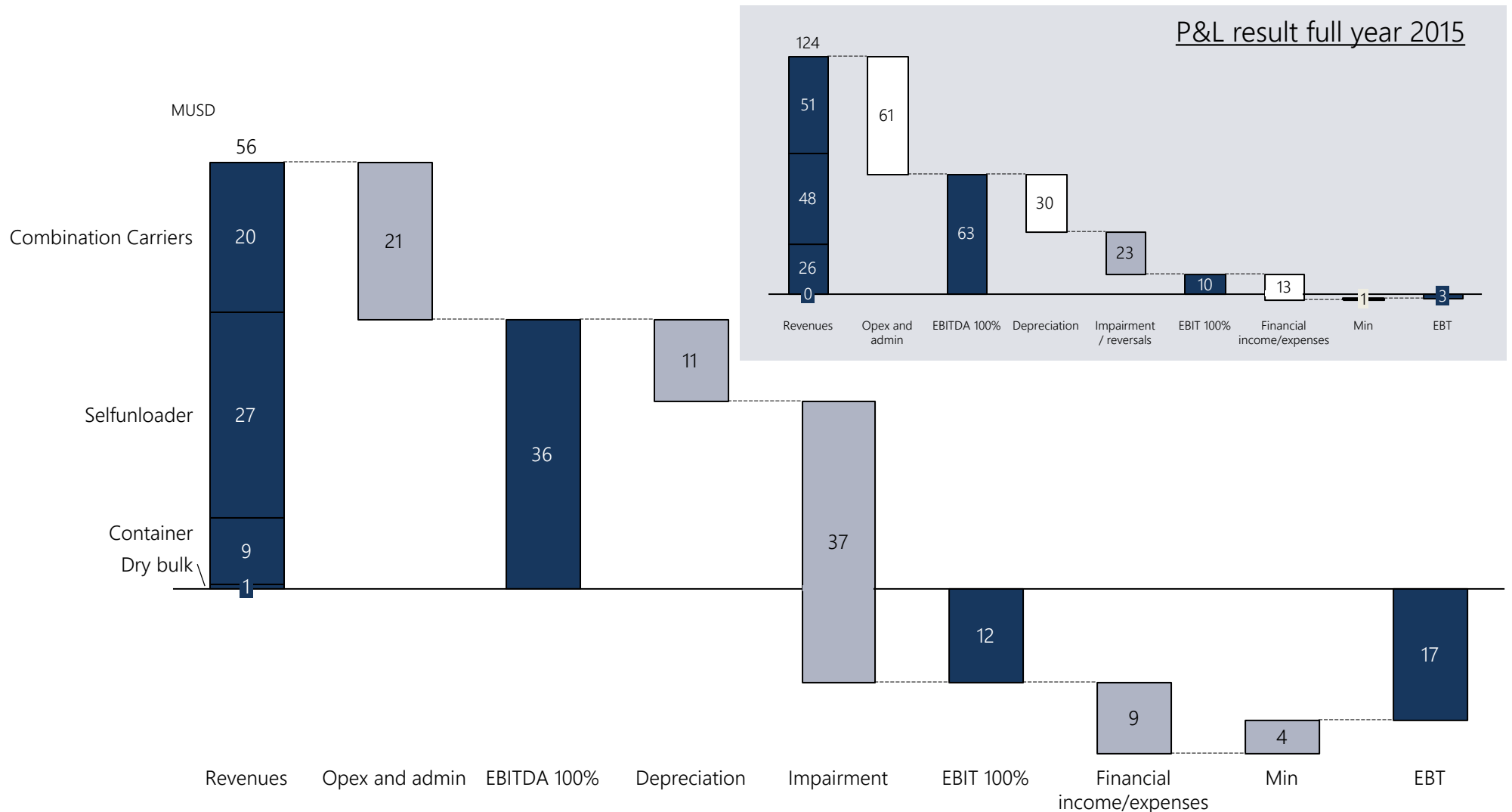
... to **all ships** as a system



How we do it

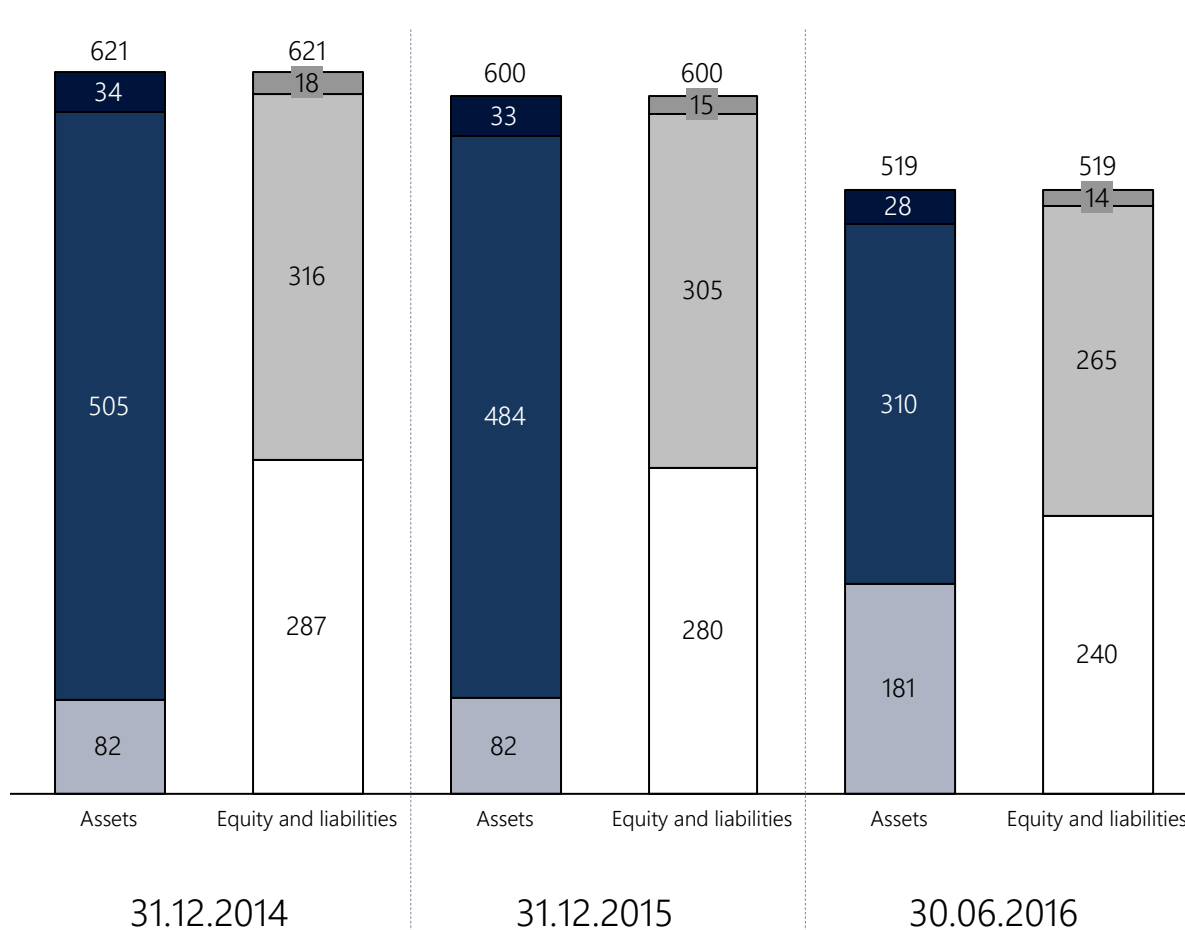


Financials: 1H 2016 P&L Statement



Financials: 1H 2016 Balance Sheet

MUSD



- Current assets and other fixed assets
- Vessels/NB contracts
- Cash, bank, bonds
- Current liabilities and other long-term liabilities
- Interest-bearing debt
- Total equity including minority interests

Equity ratio per 30.06.2016

46%

31.12.2015 47%

31.12.2014 46%

NIBD/EBITDA per 30.06.2016

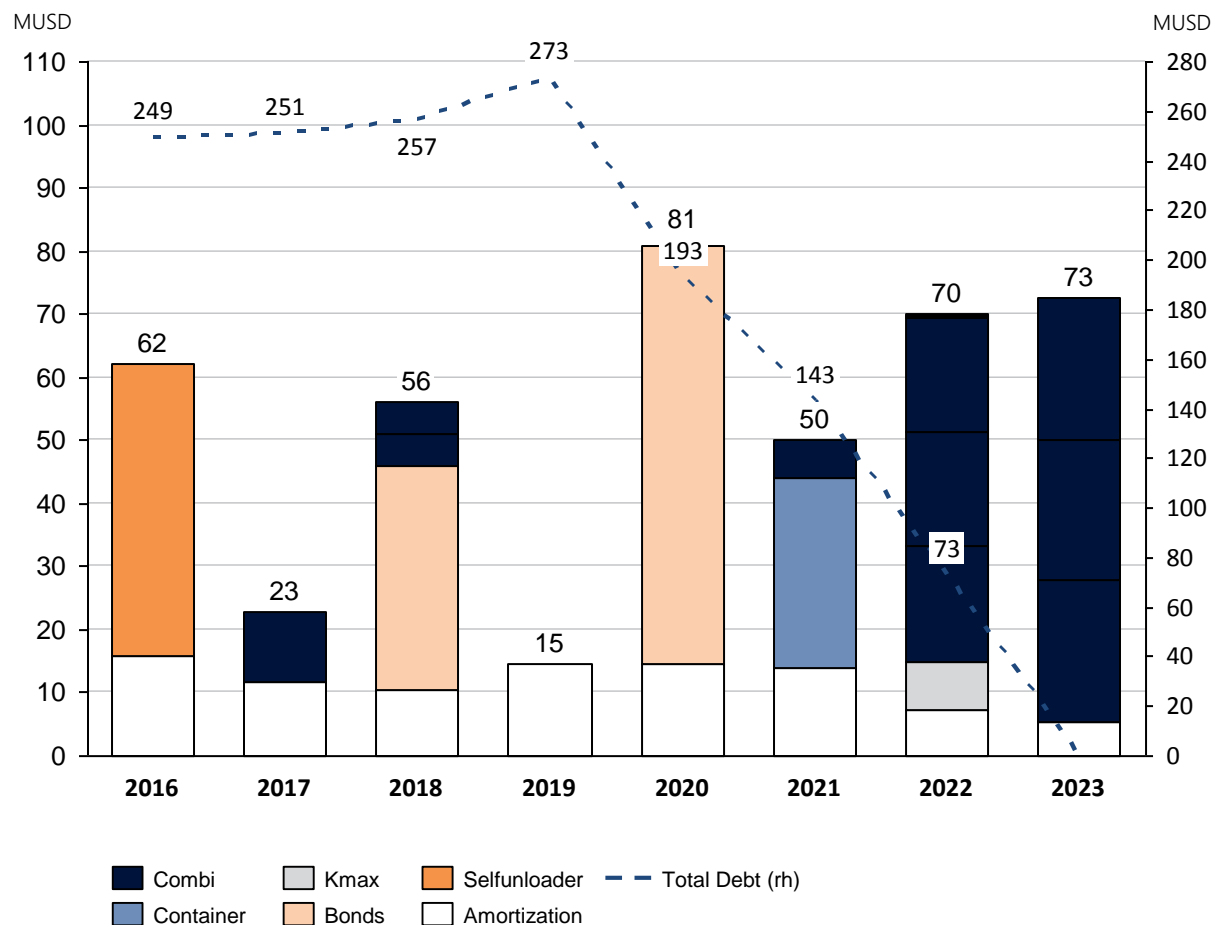
1.7

31.12.2015 3.8

31.12.2014 3.9

¹⁾ Adjusted EBITDA for vessels delivered or sold.

Attractive terms and limited refinancing risk



The graph includes bank debt related to the six newbuilds with delivery in 2016-2019. Bank loan to part finance all vessels have been secured and will be drawn on delivery of the vessels. The loans mature in 2022 and 2023, 5-7 years after drawdown. Refinancing of the container term loans included.

- Klaveness has a strong relationship to its key banks.
- Limited refinancing risk due to well distributed maturities and manageable balloons.
- Bank loans secured for all six newbuilds.
- Bank debt of USD 46 million related to the selfunloader vessels was repaid in January 2016
- Refinancing next three years limited to three combination carriers with total balloon payments of USD 21 million, in addition to the bond loan maturing in 2018.
- All container term loans maturing in 2018 and 2019 is in the process of being refinanced into a revolving credit facility:
 - Limit USD 85-90 million, drawdown expected to be USD 30-40 mill in the beginning.
 - Due date for new facility in 2021.
 - Other terms in line with existing facility.
 - Limited drawdown will result in lower financial costs.
 - Flexibility maintained.
- Average margin for bank debt is estimated to be 2.6% at year-end 2016.