

Klaveness Combination Carriers ASA
Q3 2019 presentation
Oslo, 8 November 2019

**Profitable quarter on improved
combi earnings of 1.7x to
standard tankers**



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Agenda

Highlights

Business & market update

Q3 2019 Result

Summary and outlook

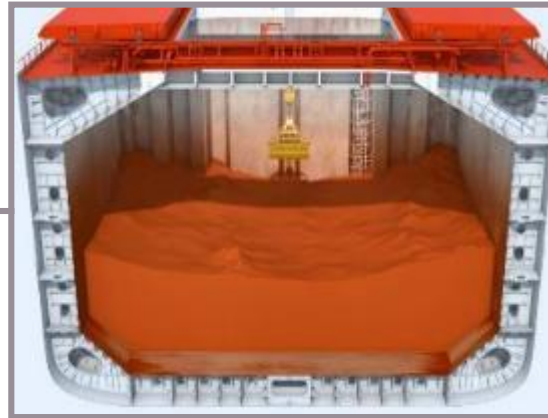


Highlights

KCC – the world leader in combination carriers

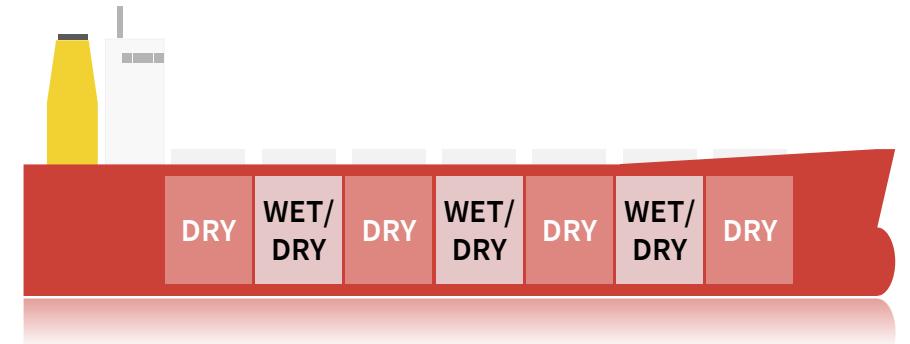
Unique proprietary vessel designs

Designed to safely and efficiently carry and switch between dry and wet cargo



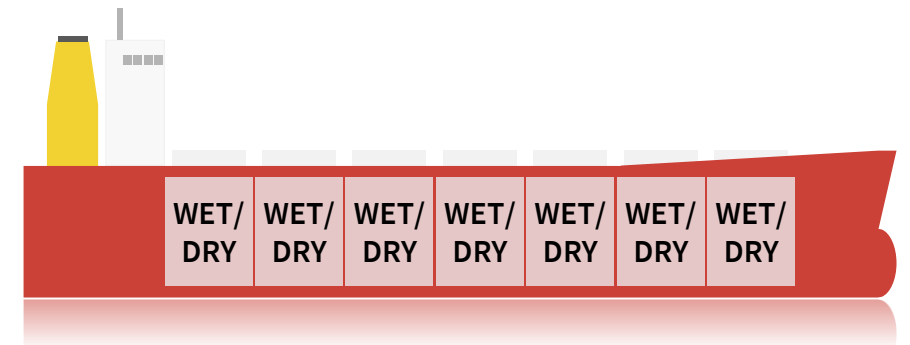
9x CABU vessels

Servicing the alumina/aluminium industry



3+5x CLEANBU vessels

Expanding service to the petroleum/petrochemical industries



Highlights

KCC delivers the most carbon efficient deep-sea transportation service **today**



→ *Up to 40% lower GHG emissions than standard tankers and bulk vessels*

Further decarbonization – a center piece in KCC's strategy

- Taking active measures to achieve a substantial additional cut in GHG emissions
- Shall be in the forefront of the transition to low carbon deep-sea shipping

Highlights

Substantially higher earnings and positive EBT in Q3 2019

Substantial earnings premium vs. standard tankers

- CABU of \$17,287/day and CLEANBU of \$22,820/day in Q3 2019
- → 1.7 x spot earnings of standard tankers

Strong EBITDA improvement – profitable quarter

- EBITDA improved by 84% compared to Q2 2019
- EBT of USD 1.5 million

Solid progress in the phase-in of the CLEANBUs

- CLEANBU # 2 and 3 delivered in Q3 2019
- First dry/wet switch - shorter lead time to combi trading

2020 CSS bookings for the CABUs on track

- Higher TCE on CSS COAs for 2020
- ~70% of CSS capacity booked for 1st half 2020

Continue quarterly dividend payments

- USD 0.5 million / USD 0.01 per share dividends

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Q3 2019 Result

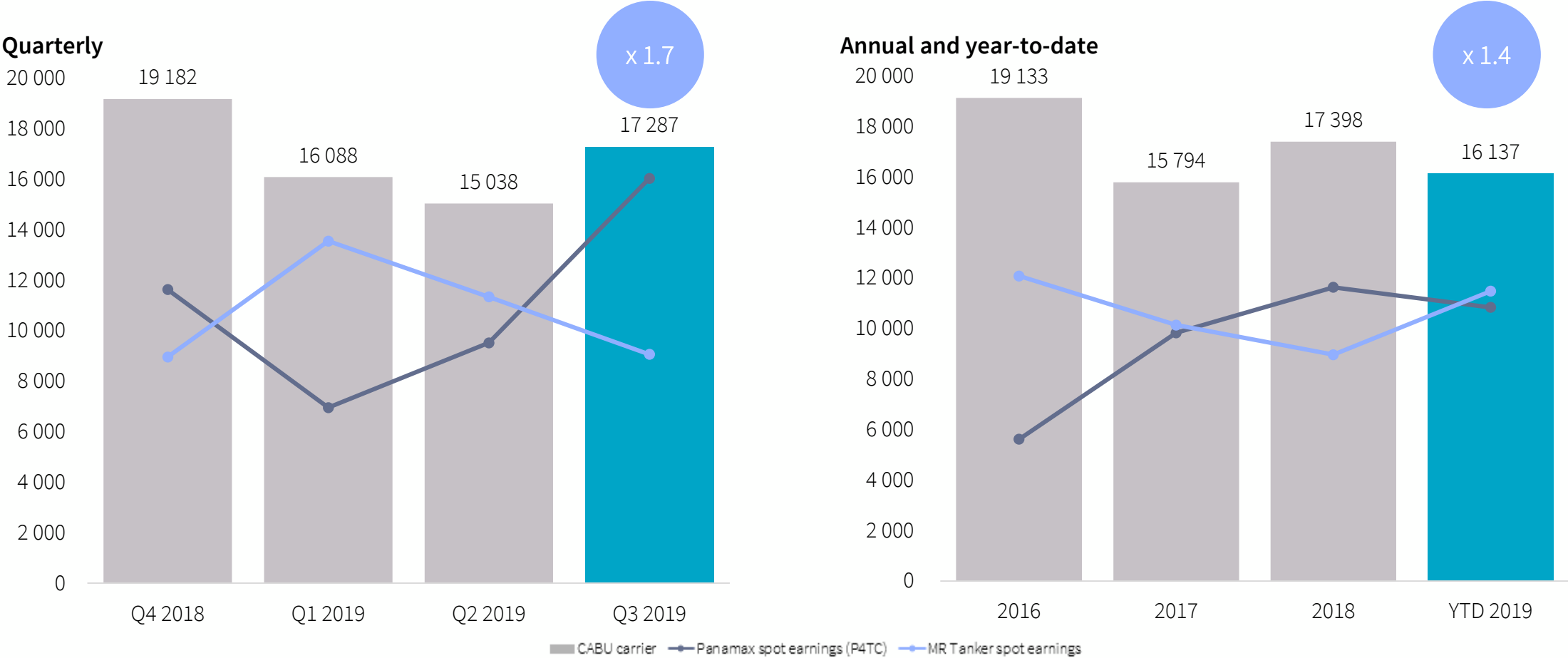
Summary and outlook



Business and market update | CABU

Strong CABU performance with earnings 1.7x to standard MR tankers

CABU Net revenue - USD per onhire day¹

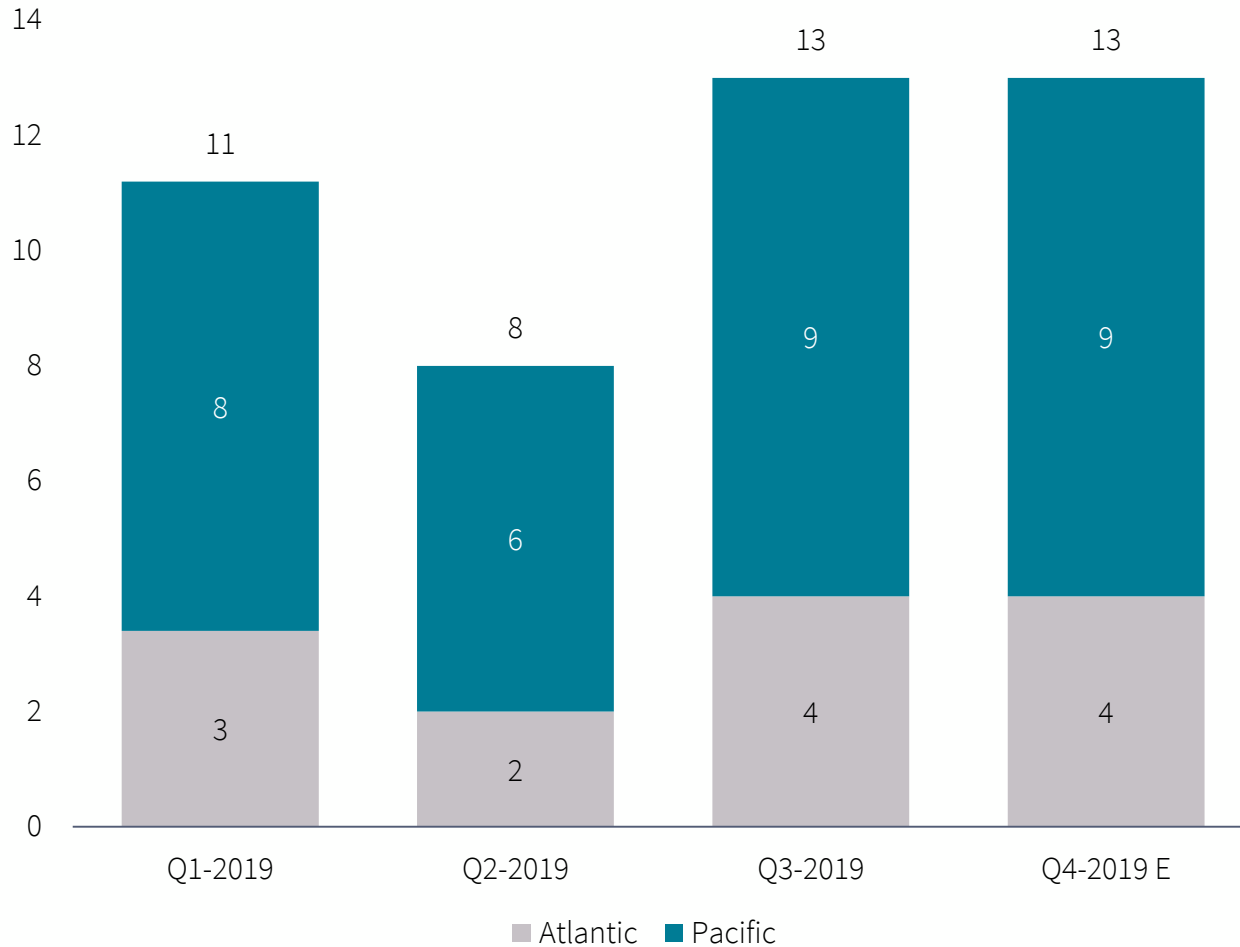


¹ CABU Carrier: Average monthly earnings per on-hire day for the period 2015 to YTD 2019, Gross of commissions and commercial management fees. Bulk carrier spot earnings: Average of the 4 Spot Routes for Baltic Panamax Index (P4TC). Gross rate. MR Tanker spot earnings: Average MR Clean Earnings, Gross rate. Spot earnings benchmark source: Clarksons SIN

Business and market update | CABU

Substantially higher caustic soda shipments in 2nd half of 2019

of CSS cargoes shipped / booked



- Lower COA volume under one Pacific CSS COA than expected – cargo volume rolled into 2020
- Alunorte production ramp up to 85% of full capacity - increased CSS volumes to Brazil in 2H 2019

Federal court lifts final embargo on Alunorte deposit area

The Brazilian federal court lifted today, September 26th, the final embargo on Alunorte's new bauxite residue disposal (DRS2) under a criminal lawsuit, allowing the alumina refinery to resume activities of installation and commissioning at DRS2 and ending a 19-month embargo period which has restricted activities at the plant.

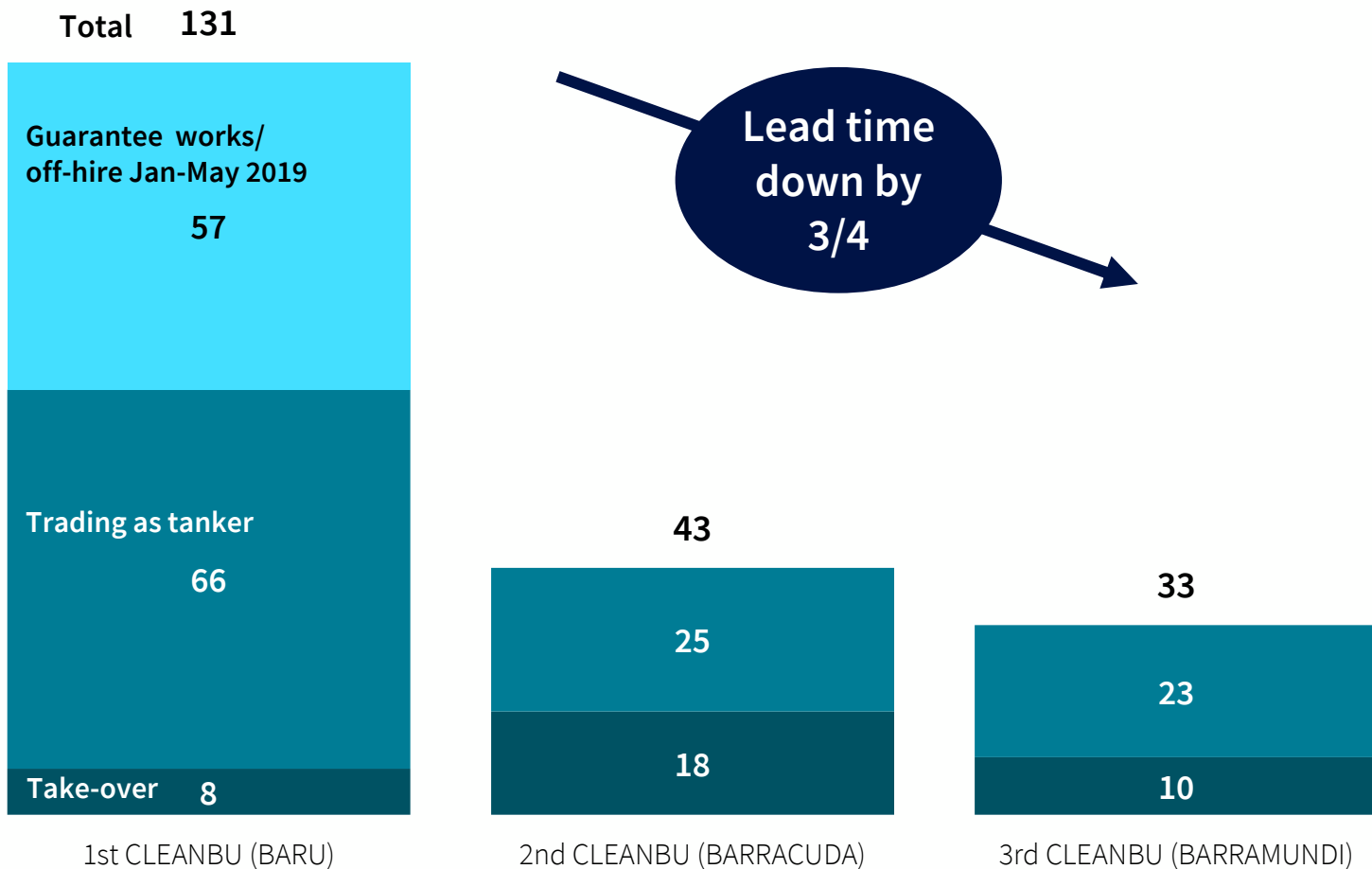


Business and market update | CLEANBU

Solid progress in CLEANBU phase-in

- continue to shorten lead time to high value combi-trading

of days phase-in time from delivery to first combination voyage



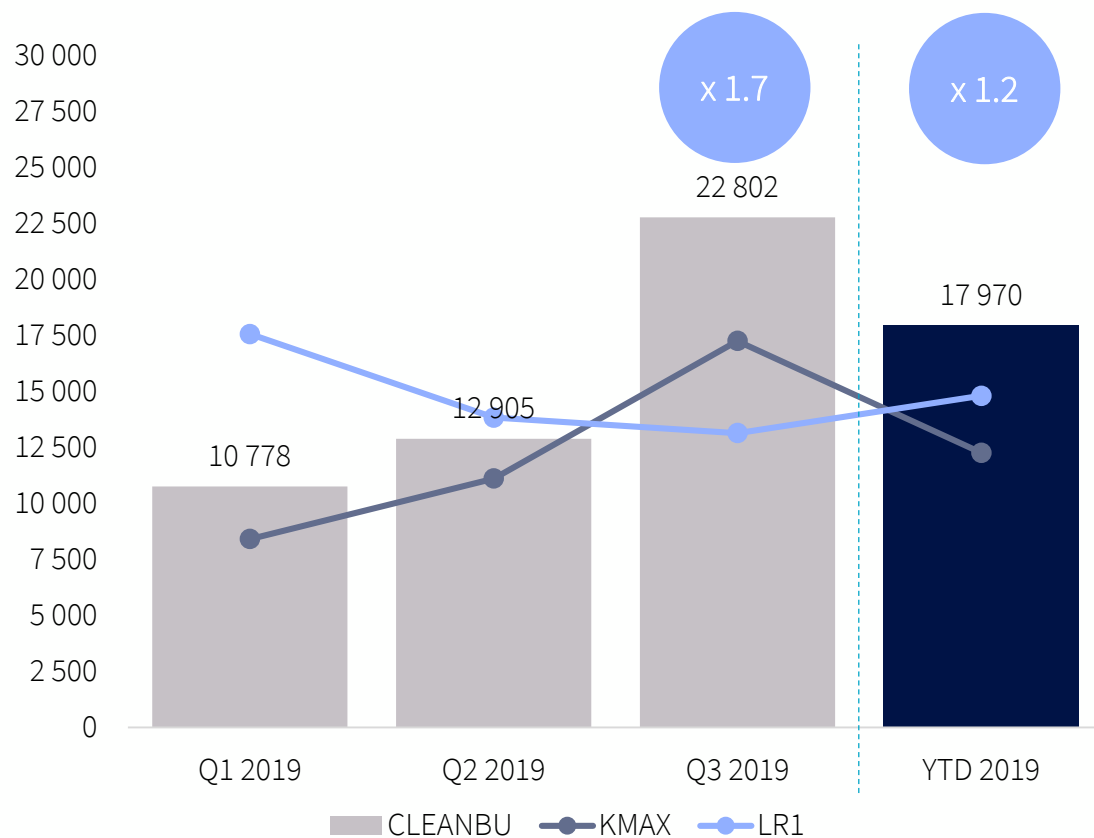
- Successful technical and operational experience transfers
- Shorter lead time from delivery to start of combi trading
- Guarantee docking on MV Baru in Oct-Nov. Planned guarantee works on MV Barracuda and MV Barramundi in November

Business and market update | CLEANBU

CLEANBU earnings improves quarter by quarter and vessel by vessel

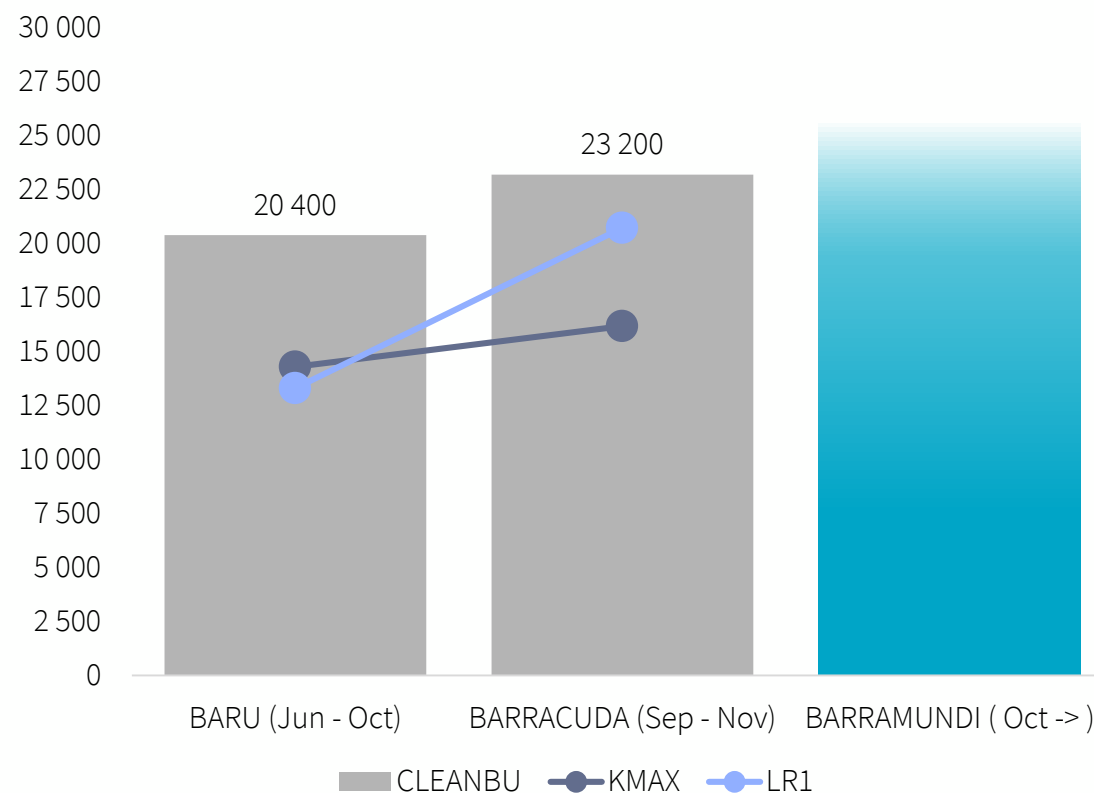
CLEANBU Q3-earnings = 1.7 x standard LR1 tankers

CLEANBU Net revenue USD per onhire day¹ and premium to LR1 tanker



Increasing earnings on performed combi voyages

Net revenue USD per on-hire day for first combi round voyage for delivered CLEANBU's²

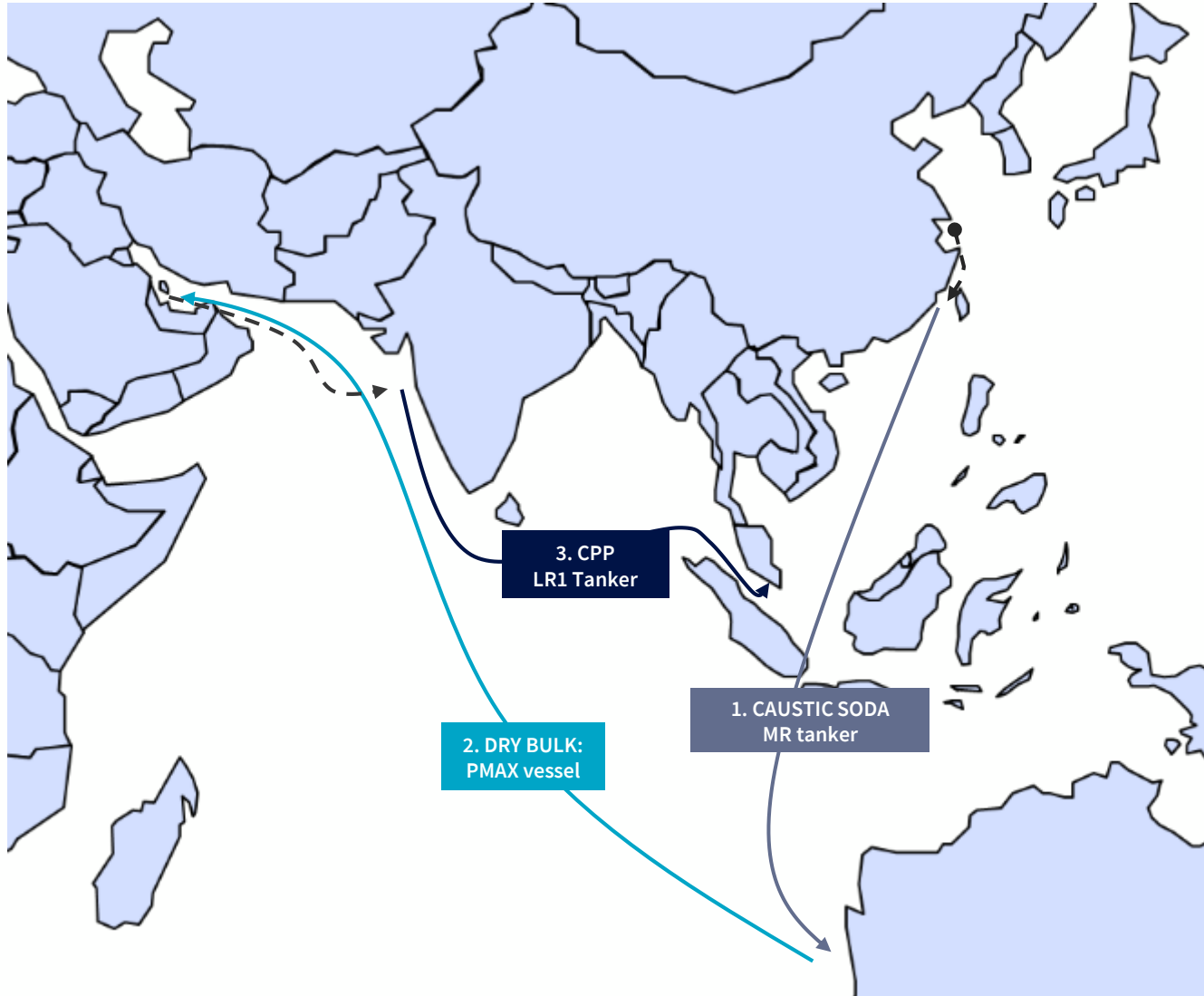


1) KMAX is PSTC, LR1 is LR1 MEG-UK/MED-EAST TRIANGULATED. Source: Clarksons SIN, Baltic exchange

2) First Baru voyage with consecutive switch from dry to wet cargo was India to Argentina /Argentina Vietnam, first Barracuda voyage with consecutive switch from dry to wet cargo was Australia to Bahrain / India to Singapore

Business and market update | CLEANBU

Barracuda's first combi voyage and first successful dry bulk/CPP switch



Business and market update | CLEANBU

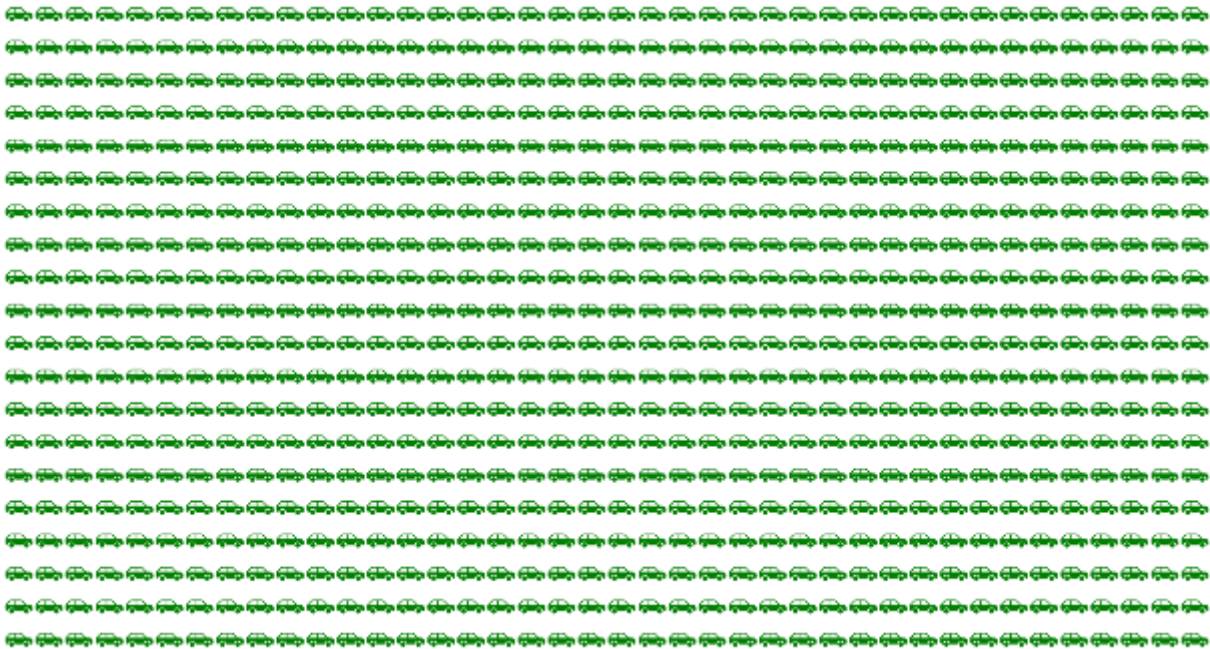
MV Barracuda’s first combi voyage: Substantially higher operational efficiency and lower carbon footprint

Substantially lower ballast than standard vessels performing the same trades...

... resulting in **CO₂ emissions reductions** equal to the annual emission of **~800 cars²**

CLEANBU ballast share compared to standard vessels doing the same transportation work as Barracuda¹

Cargo	Standard vessel	CLEANBU
Caustic Soda	MR Tanker = 30%	<div><div></div><div>10%</div><div></div></div>
Dry Bulk	PMAX = 30%	
CPP	LR1 Tanker = 34%	

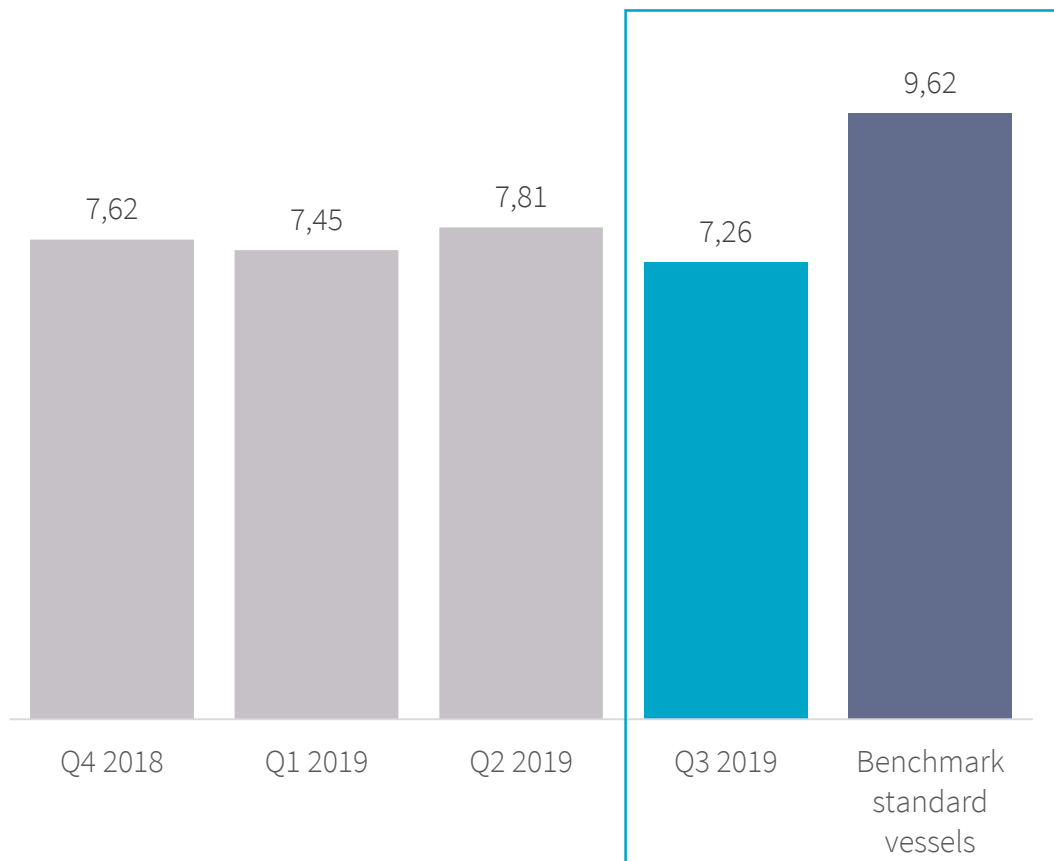


1) For tankers ballast percentage for standard vessels based on AIS trackings and average ballast distance prior/after discharge. For dry bulk vessel ballast percentage is based on AIS trackings of average ballast distance prior to discharge
2) CO2 emission reduction is compared to that of standard tankers and a standard dry bulk vessel performing the same cargoes as MV Barracuda, with the weighted average ballast leg connected for the standard vessels. AIS data and Baltic Exchange vessel description has been used to estimate this effect. Ballast leg for the dry bulk vessel is basis the weighted average inbound ballast leg prior loading, and the ballast contribution from the tankers is basis the ballast distance prior/after discharge. Source: EIA.gov, AXSmarine.com, Baltic Exchange and company data.

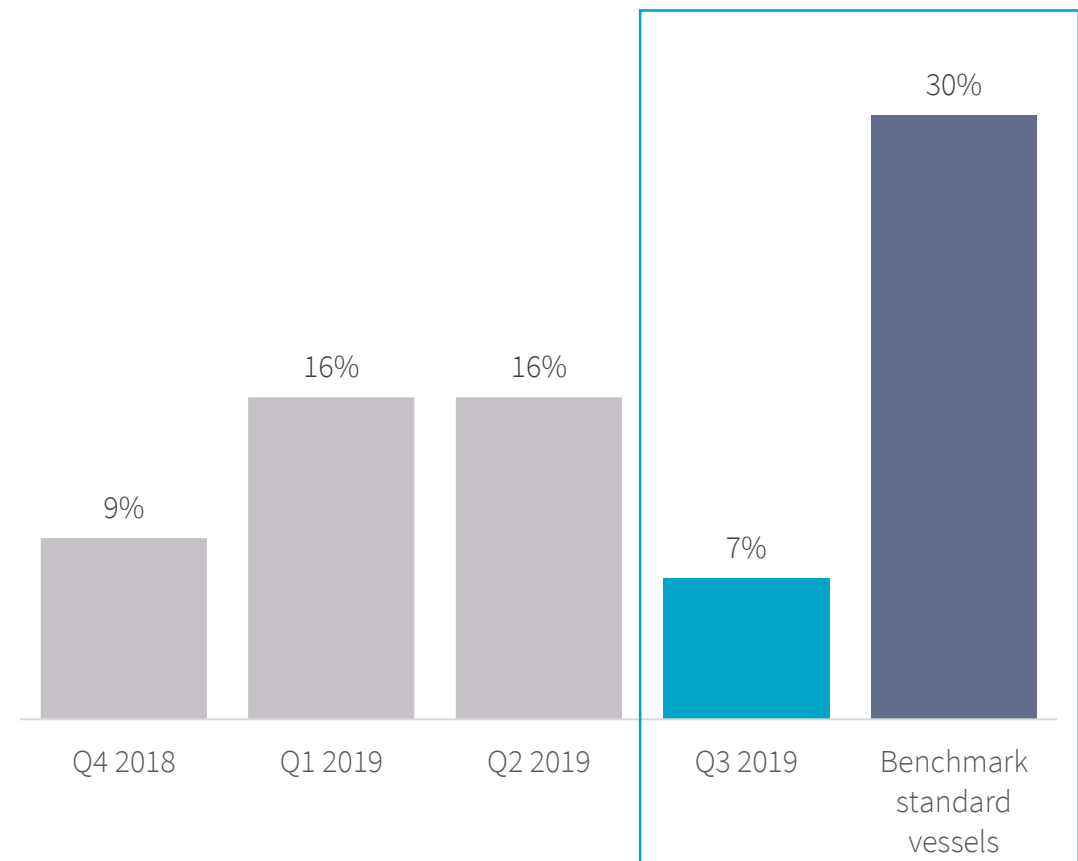
Business and market update

Improving environmental KPIs following the delivery of more CLEANBUs and more efficient combi-trading

CO2 emission per ton transported cargo per nautical mile (EEOI)^{1,2}



Ballast days in % of total onhire days²

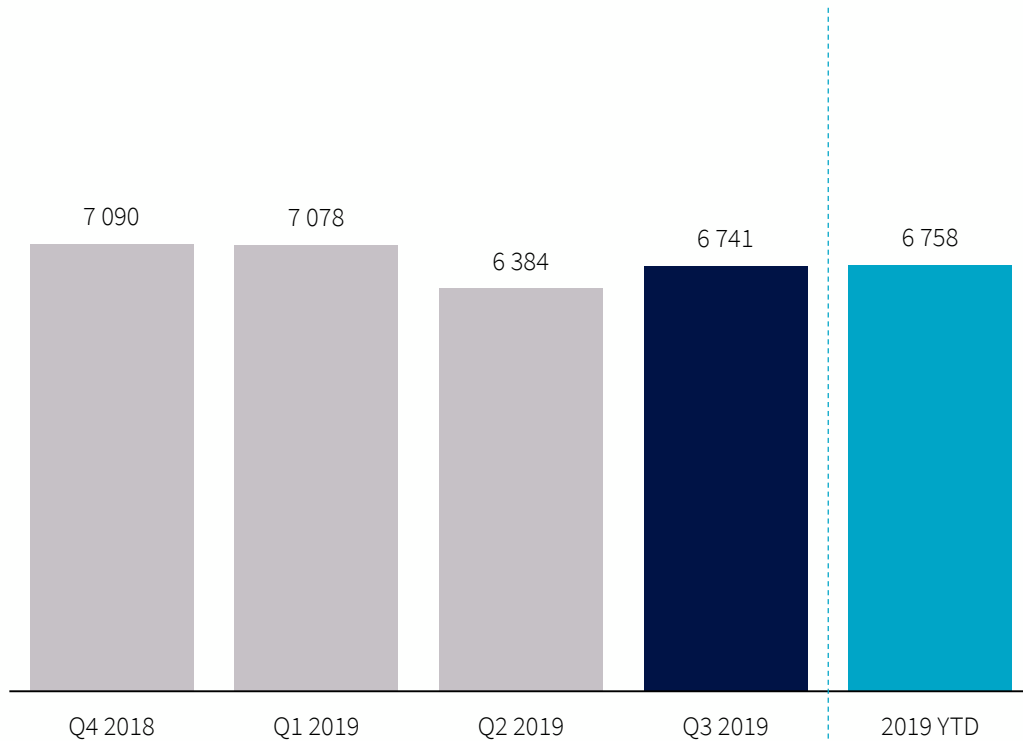


Business and market update | OPEX

OPEX moving down, but CLEANBU OPEX will continue to be impacted by start-up costs next quarters

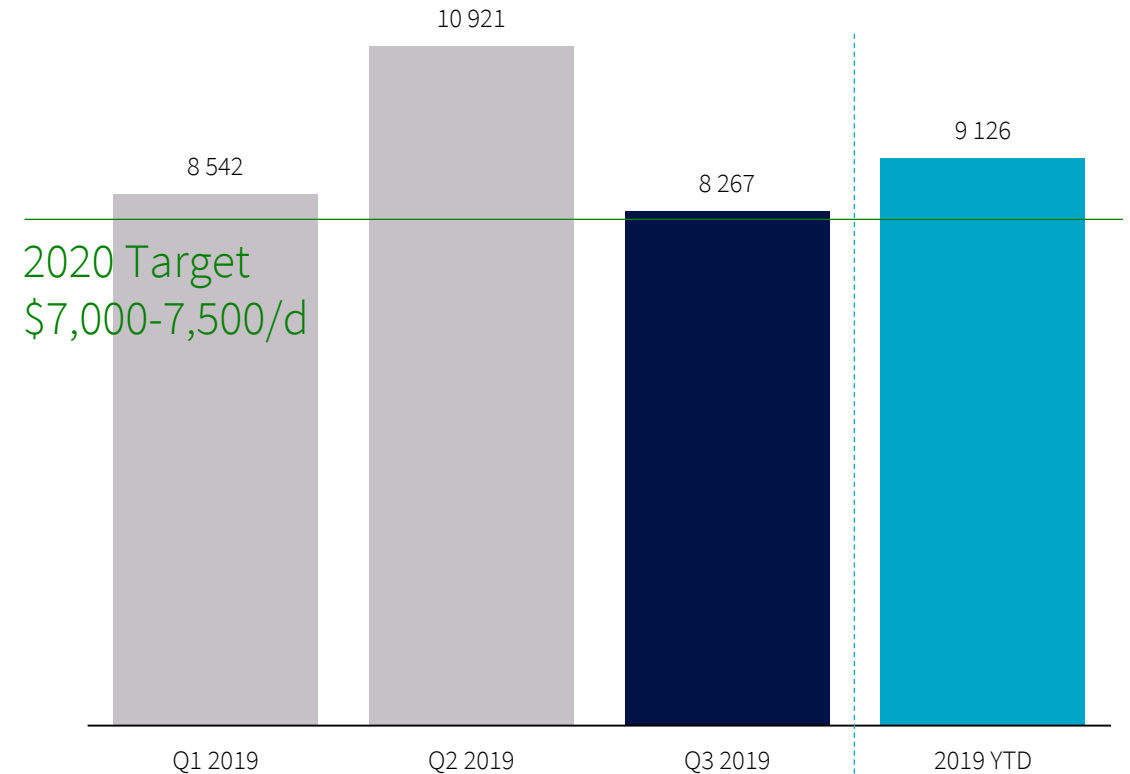
CABU OPEX in line with expectations

CABU OPEX USD per day



Lower CLEANBU OPEX as technical phase-in progresses

Baru and Barracuda CLEANBU OPEX USD per day¹



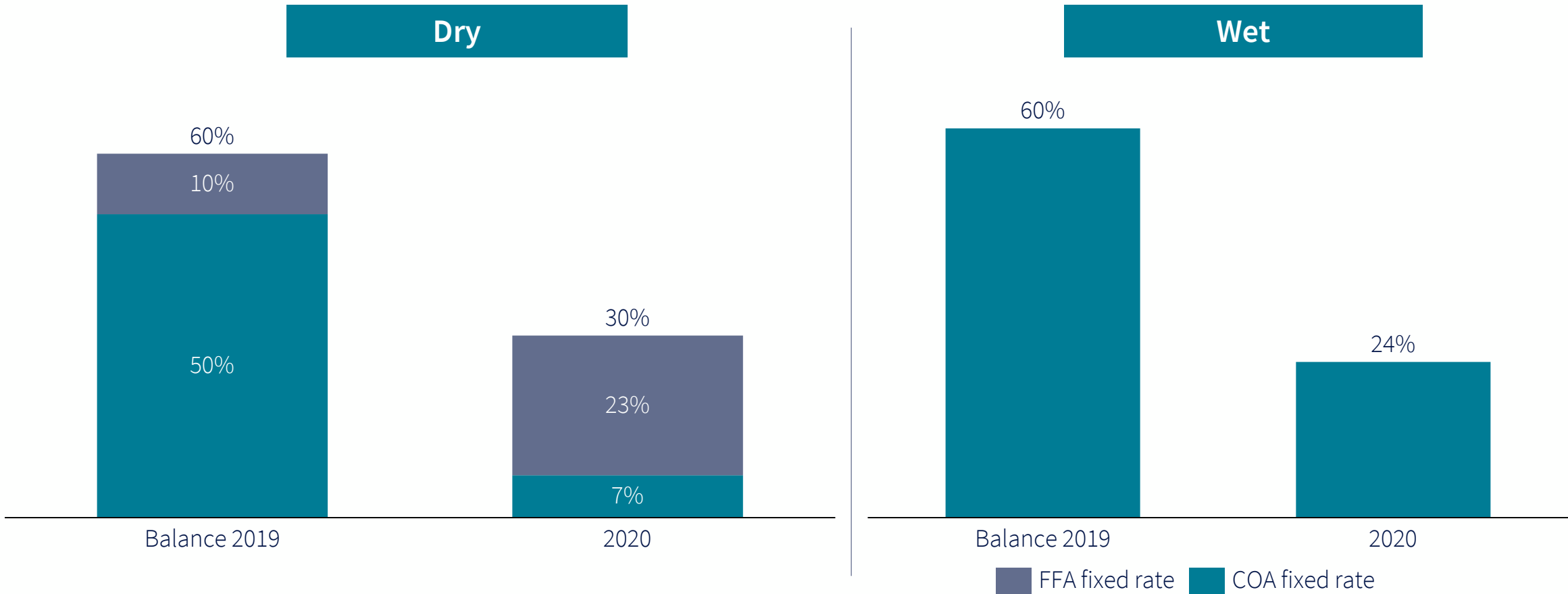
1) CLEANBU Opex include MV Baru in Q1/Q2 2019 in addition to MV Barracuda from Q3 2019.

Business and market update

Limited financial/market coverage for 2020 set to increase over the next months

Financial/market coverage

Share of estimated rate (i.e. price) exposure that has been fixed for rest of 2019¹ and 2020



1) Balance 2019 as of end of September

Business and market update | Oil and fuel markets

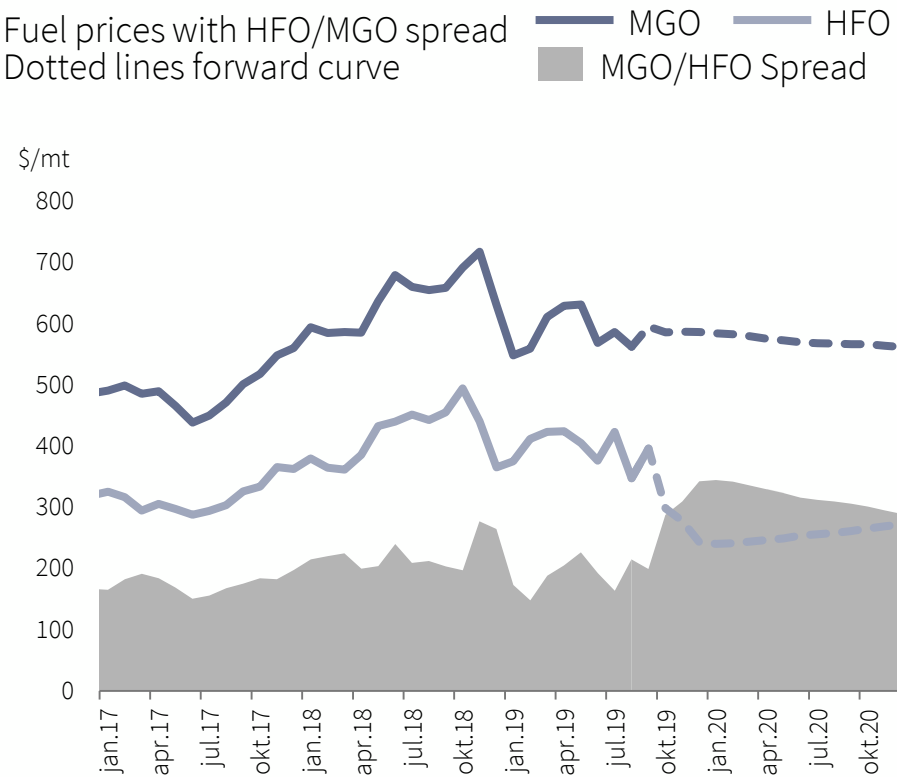
IMO 2020 countdown: **54 days to go...**

KCC will be ready for IMO 2020 within mid December 2019

- Ongoing work to clean bunker tanks
- Bunkered VLSFO in 2 bunker tanks
- Test-burning new fuels
- Complete cleaning and switch to VLSFO within mid December

Higher premiums and higher price volatility

Fuel prices with HFO/MGO spread
Dotted lines forward curve



KCC will benefit from IMO 2020 without investing in scrubbers

1) Source: Shipping Intelligence Network, NOS, ICE, FIS & company data

Business and market update | The dry bulk and product tanker markets

Strong product tanker and moderate dry bulk market outlook despite a weaker macro-economic outlook

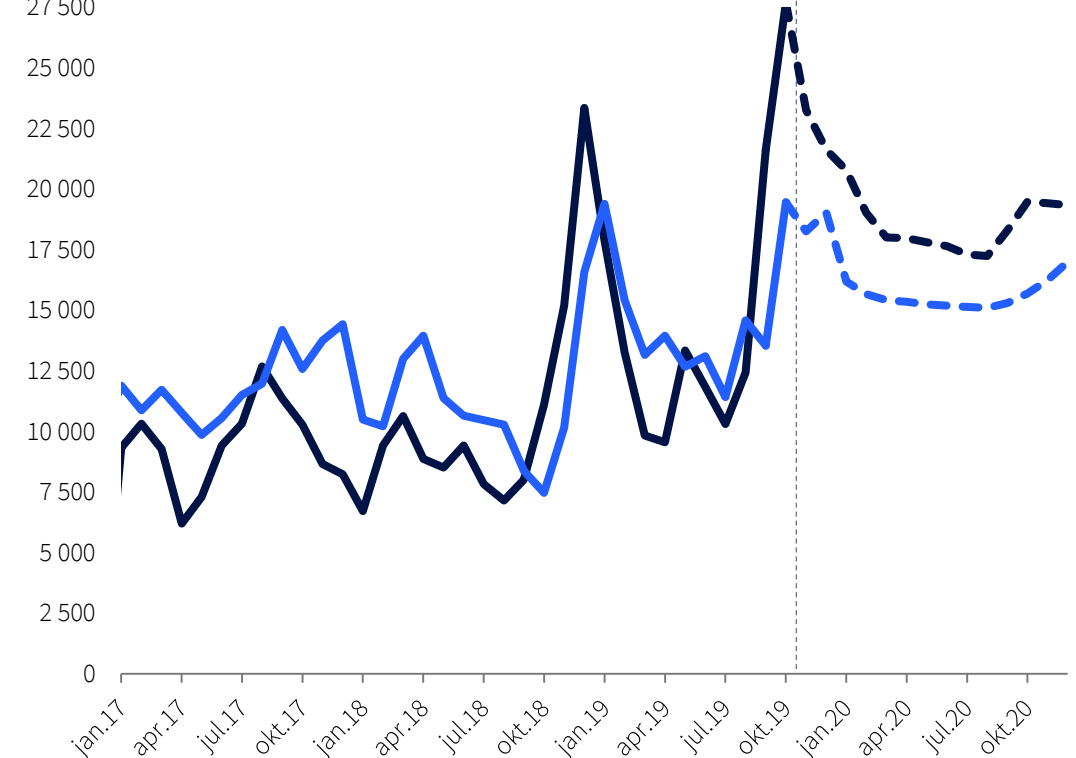
Dry bulk market peaking in Q3 -forward outlook is more muted

P4TC (USD/day) historical and forward curve



Early tanker spike in October faltering, but IMO 2020 story is intact

USD/day, MR (blue) and TC5 triangle trade (dark blue) earnings historical and forward curve



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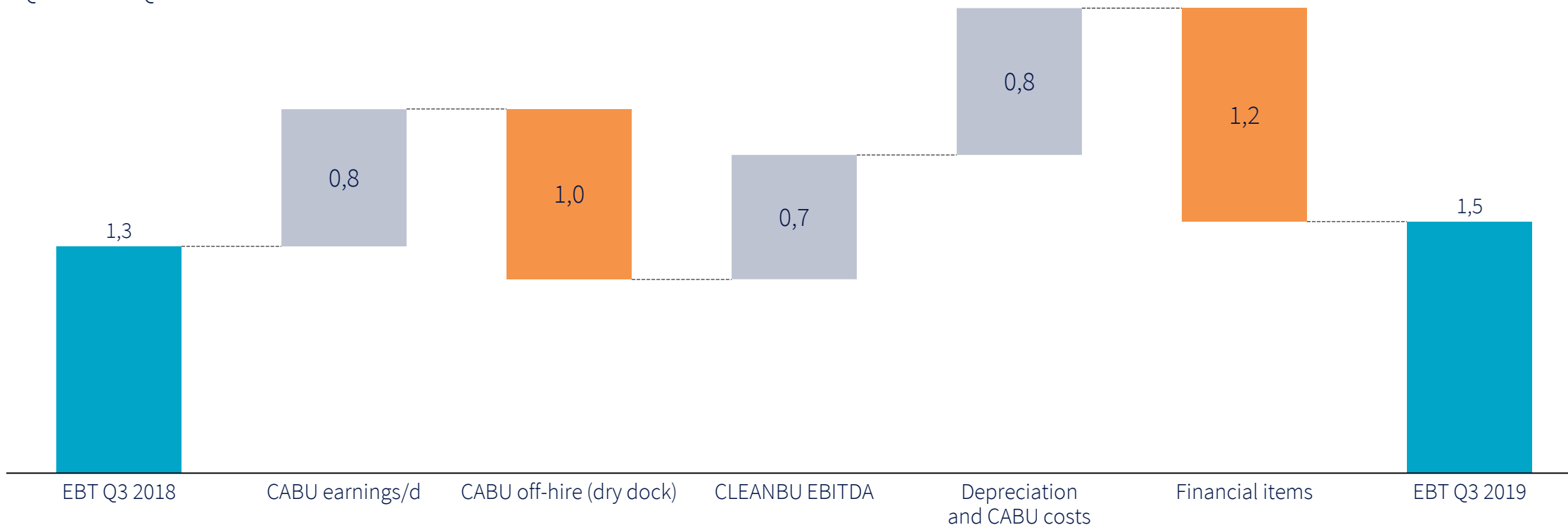
Summary and outlook

Q3 2019 results

Higher profit as an effect of CLEANBU introduction and higher CABU rates

Year-on-year results (MUSD)

Q3 2019 vs Q3 2018



Q3 2019 results

Improved results on increased combination trading, stronger dry bulk markets and more vessels on water

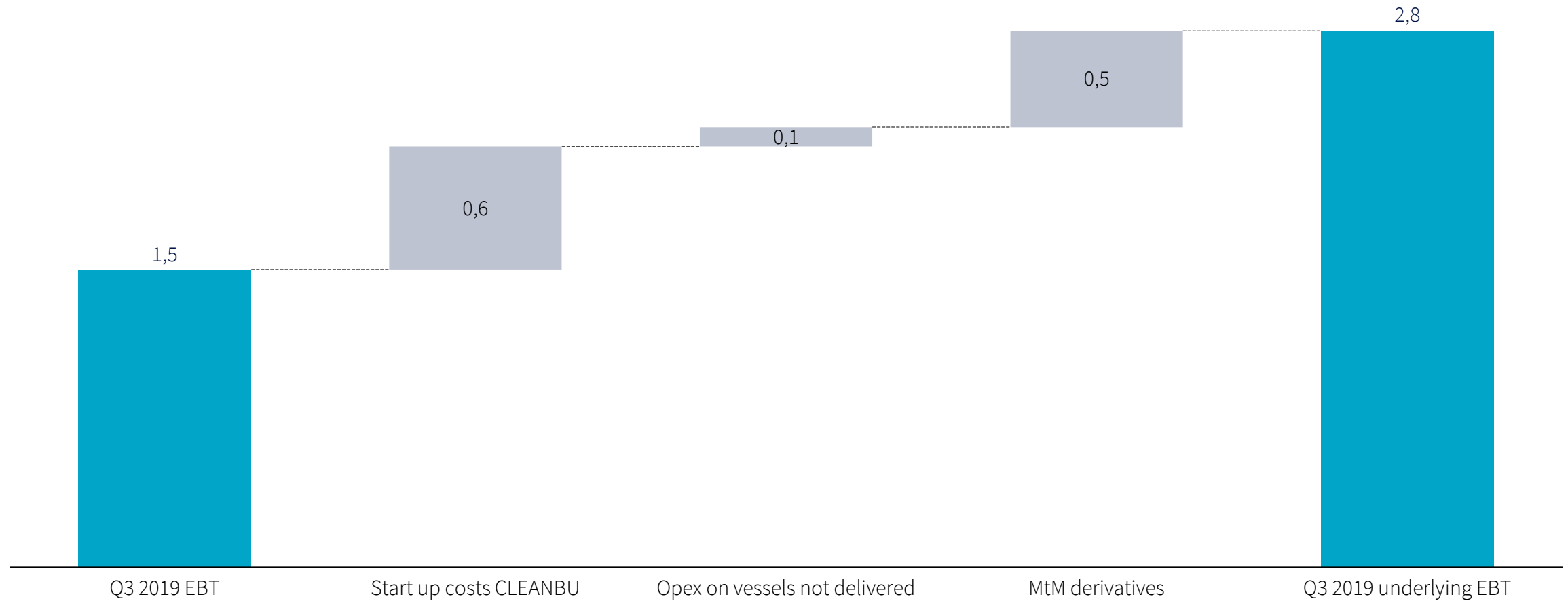
Quarter-on-quarter results (MUSD)

Q3 2019 vs Q2 2019



Q3 2019 results

EBT MUSD 2.8 adjusted for CLEANBU introduction effects and unrealized financial derivatives¹



¹) Underlying EBT defined and reconciliated on slide 30 "Alternative performance measures used in the quarterly presentation"

Q3 2019 results

Consolidated financial statements Q3 2019 (unaudited)

Income Statement (‘000 USD)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Net revenues	16 571	13 392	42 503	41 413
Operating expenses, vessels	(7 563)	(5 719)	(21 401)	(15 729)
SG&A	(1 244)	(887)	(4 377)	(2 841)
EBITDA	7 764	6 786	16 726	22 842
Depreciation	(3 621)	(4 110)	(9 541)	(12 383)
EBIT	4 143	2 676	7 185	10 459
Net financial items	(2 598)	(1 364)	(8 324)	(2 289)
Profit before tax	1 545	1 312	(1 139)	8 170
Tax	-	-	-	-
Profit after tax	1 545	1 312	(1 139)	8 170
EPS	0.03	0.04	(0.03)	0.24

- Profit of USD 1.5 million for the quarter
- CABU earnings of USD 17,287/day
- CLEANBU earnings of USD 22,802/day
- Increase in operating expenses due to CLEANBU
- Administration costs is up compared to 2018 due to increased complexity and higher activity level
- Negative unrealised effects from changes in fair value of derivatives (-0.5)

Q3 2019 results

Dividends in line with policy and other key financials on-track

ROCE¹
4%

Equity ratio
47%

Operating cash flow
MUSD 11

Dividend YTD
MUSD 2.4
- in line with policy



1. Ref definition of APMs note 11 in Q2 2019 report

2. CO₂ emissions per ton transported cargo per nautical mile. "Benchmark standard vessels" are calculated based on standard vessels (Panamax 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.

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Summary and outlook

Improving CABU earnings Q4-19- positive 2020 outlook

- CABU earnings full year 2019 guiding is around \$17,000 per day
- Higher CSS cargo volume and improved COA earnings levels in 2020

Proven CLEANBU earnings capacity - solid progress in CLEANBU phase-in

- Proven earnings capacity – positive outlook Q4-19 and 2020
- Technical phase-in progressing, ongoing guarantee work/adjustments
- Operating costs and start-up costs trending down

Proven CLEANBU earnings capacity - solid progress in CLEANBU phase-in

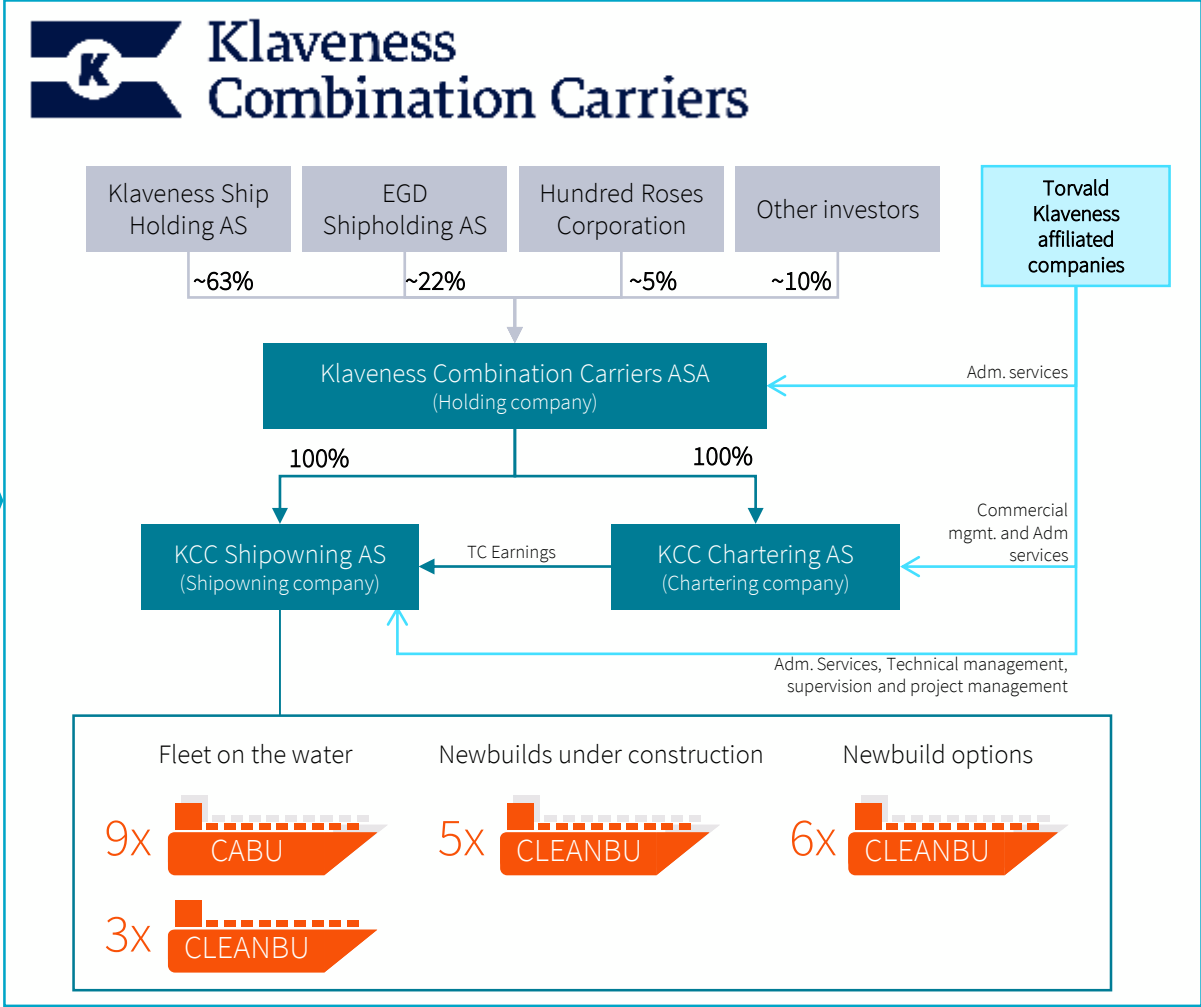
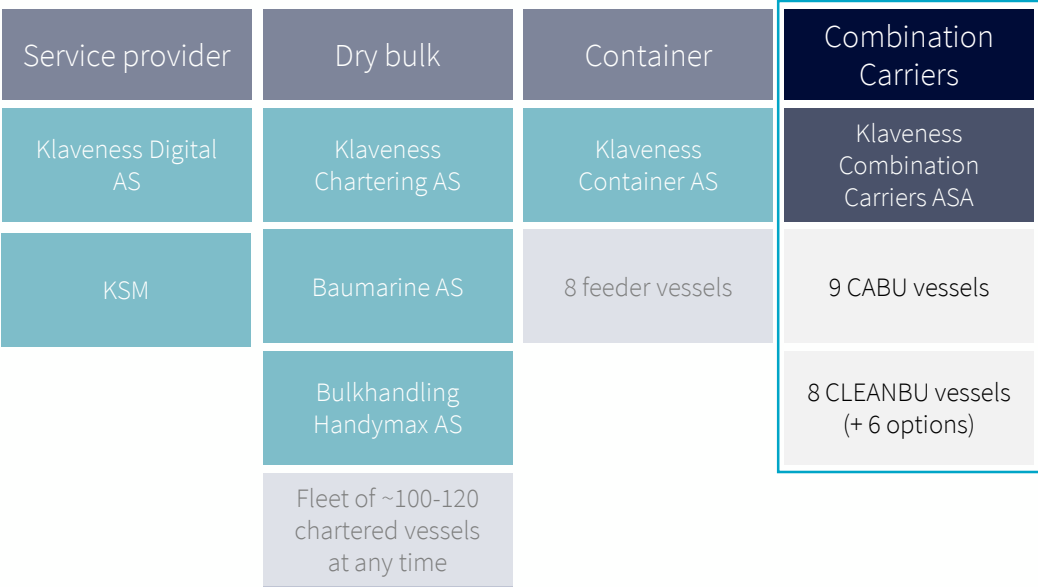
- IMO 2020 effects through expected higher fuel prices and a strong tanker market
- Limited downside risks in dry bulk (vs. FFA-pricing)

Enclosures

Enclosures

Torvald Klaveness & Klaveness Combination Carriers (KCC)

Torvald Klaveness' business segments



Note: Simplified orginazational chart, for illustration purposes only

Enclosures

Fleet list

Vessel	Type	Built	Yard	DWT	Flag	Manager	Ownership
MV Banastar	CABU	2001	Oshima, Japan	72 562	MI	KSM AS ²	100%
MV Barcarena	CABU	2001	Oshima, Japan	72 562	NIS	KSM AS	100%
MV Banasol	CABU	2001	Oshima, Japan	72 562	MI	KSM AS	100%
MV Bangor	CABU	2002	Oshima, Japan	72 562	NIS	KSM AS	100%
MV Bantry	CABU	2005	Oshima, Japan	72 562	MI	KSM AS	100%
MV Bakkedal	CABU	2007	Oshima, Japan	72 562	MI	KSM AS	100%
MV Baffin	CABU	2016	Ouhua Zhejiang, China	80 200	MI	KSM AS	100%
MV Balboa	CABU	2016	Ouhua Zhejiang, China	80 200	NIS	KSM AS	100%
MV Ballard	CABU	2017	Ouhua Zhejiang, China	80 200	MI	KSM AS	100%
MV Baru	CLEANBU	2019	YZJ, China	82 400	MI	KSM AS	100%
MV Barracuda	CLEANBU	2019	YZJ, China	82 400	MI	KSM AS	100%
MV Barramundi	CLEANBU	2019	YZJ, China	82 400	MI	KSM AS	100%
MV Baleen ¹	CLEANBU	E2020	YZJ, China	82 500	MI	KSM AS	100%
MV Bangus ¹	CLEANBU	E2020	YZJ, China	82 500	MI	KSM AS	100%
MV Baiaco ¹	CLEANBU	E2020	YZJ, China	82 500	MI	KSM AS	100%
Newbuild #7 ¹	CLEANBU	E2021	YZJ, China	82 500	MI	KSM AS	100%
Newbuild #8 ¹	CLEANBU	E2021	YZJ, China	82 500	MI	KSM AS	100%

CLEANBU OPTIONS: KCC holds six fixed price options with expiry in the period between February 2020 and January 2021. The option vessels have scheduled delivery dates in the period September 2021 to November 2022.

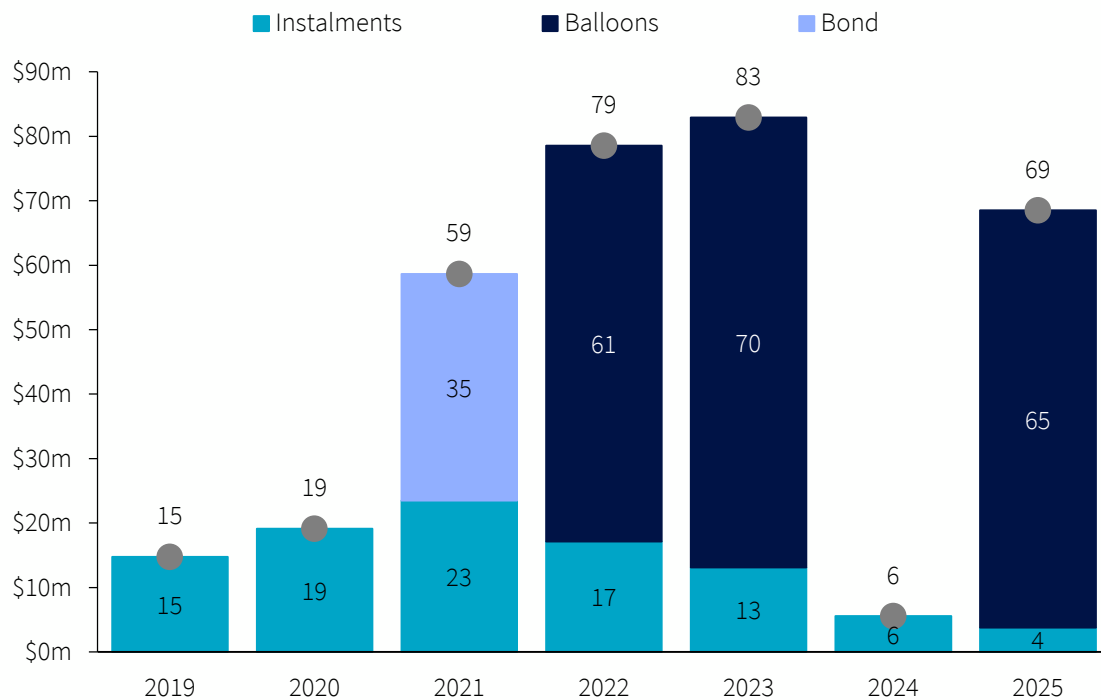
1) Planned / estimated delivery dates and DWT based on newbuild contract
2) KSM AS = Klaveness Ship Management AS

Enclosures

Strong bank support and balanced interest rate hedging

Limited refinancing risk

Maturity profile for debt as per 31.12.2018 and committed debt (5XCLEANBU with 2019 and 2020 delivery) ¹



- Limited refinancing risk with no maturities (excluding overdraft facility) prior to the bond due date in May 2021. The current bank debt matures in March 2022 and December 2023 and August 2025
- Bank loans have been secured for six newbuilds with delivery in 2019 and 2020
- Average margin for bank debt is 2.3% as of 30 June 2019 and the NOK bond loan is swapped to a USD fixed interest rate 6.98%
- Interest hedge ratio is ~60% as of 30 June 2019 which will fall to ~55% 31 December 2019. Average swap interest rate on LIBOR swaps (excl. margin) is 2.4% as of 30 June 2019



1) In January 2019 the USD 36 million unsecured loan from KSH was cancelled while simultaneously the KCC assumed the obligations of the KCC03 bond loan

Enclosures

Alternative performance measures used in the quarterly presentation

Definitions and reconciliation

- TCE earnings = time charter equivalent earnings equals average revenue per on-hire day as further described in the quarterly report for Q3 2109, note 11 (page 22) which is published on the company's homepage: <https://www.combinationcarriers.com/investor-relations/#reports-presentation>
- EBT = Earnings before tax equals Profit before tax in the income statement
- Underlying EBT is defined as EBT excluding items that are not considered as part of normal operation and effects from financial items not realized. The Group has adjusted for one off costs related to start up of the CLEANBU vessels and other operating expenses occurred before delivery of the CLEANBU vessels. Underlying EBT is included because the management believes that the measure provide information of the Group's profitability beyond the phase in period of the CLEANBU fleet.
- ROCE – see definition and reconciliation in Note 11 (page 22) in Q3 2019 report published: <https://www.combinationcarriers.com/investor-relations/#reports-presentation>

Reconciliation of alternative performance measures

Reconciliation of underlying EBT

USD'000	Q3 2019
Profit before tax (EBT)	1 545
Start up costs CLEANBU vessels	647
Opex vessels not delivered	110
Fair value changes in FFA (Q3 2019, note 7)	(99)
Gain on foreign exchange (Q3 2019, note 7)	(1 953)
Fair value changes interest rate swaps (Q3 2019, note 7)	2 577
Underlying EBT	2 827