



Klaveness  
Combination Carriers

# Klaveness Combination Carriers

## Quarterly report

### Q1 2020



## HIGHLIGHTS

- Adjusted EBITDA of USD 12.9 million, 40% higher than last quarter, and EBT of USD 4.3 million
- CABU TCE earnings of \$20,283/d, the best quarterly earnings since 2015 with 92% of the fleet capacity employed in combination trades
- CLEANBU TCE earnings of \$20,932/d with solid TCE earnings of \$24,000/d in combination trades
- Building tanker market coverage for 2020 and first half of 2021 in a strong tanker market
- Strong cash position, a fully financed fleet and positive earnings outlook for 2020
- Our first priority is to ensure the health and safety of our crew in the current COVID-19 situation. Limited financial and operational impact to date
- KCC triples dividend payments to USD 0.03 per share (total USD 1.44 million) for Q1

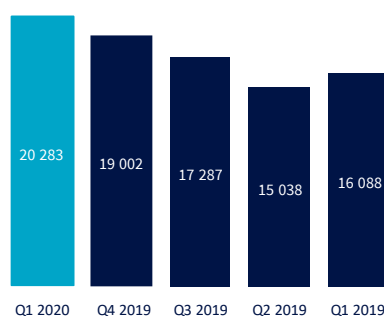
*«We are pleased to report KCC's strongest financial results to date on the back of increased combination trading and a strong tanker market. We are also pleased to have concluded a higher tanker market coverage at attractive levels for the balance of 2020. This supports a strong outlook for KCC's earnings for 2020 and an increased financial robustness in the current uncertain COVID-19 situation ».*



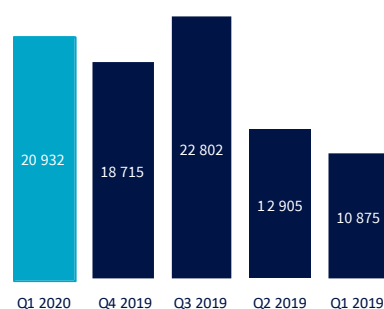
**Engebret Dahm, CEO**

Klaveness Combination  
Carriers ASA

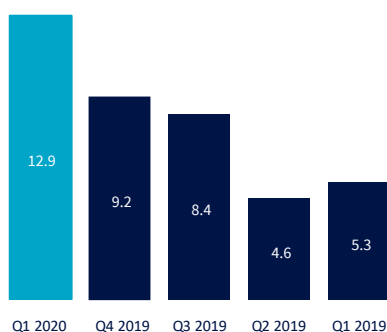
**Average CABU TCE earnings (\$/d)**



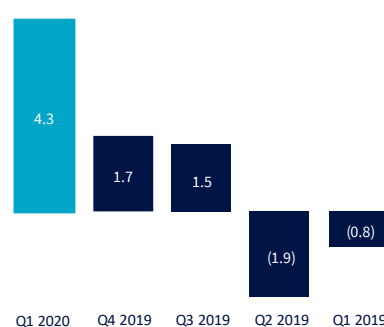
**Average CLEANBU TCE earnings (\$/d)**



**Adjusted EBITDA (mUSD)**



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



## CONSOLIDATED FINANCIALS

Adjusted EBITDA for the first quarter was USD 12.9 million, up from USD 5.3 million compared to same period last year mainly driven by caustic soda volumes and three CLEANBU vessels in operation.

### Key Figures

(USD '000)	Q1 2020	Q1 2019	2019
Net revenues from vessel operations	22 403	13 326	61 327
EBITDA (note 11)	12 825	4 736	25 763
EBITDA adjusted (note 11)	12 856	5 289	27 487
Profit/(loss) for the period	4 314	(803)	597
Earnings per share <sup>1</sup>	0.09	(0.02)	0.01
Total assets	486 785	363 310	459 262
Equity	209 237	177 911	213 878
Equity ratio	43 %	49 %	47 %
ROCE adjusted (note 11)	8 %	3 %	3 %

	Q1 2020	Q1 2019	2019
Average TCE earnings (note 11)	20 441 \$/d	15 877 \$/d	17 060 \$/d
Opex per day (note 11)	7 627 \$/d	7 202 \$/d	7 421 \$/d
Onhire days	1 083	838	3 636
Off-hire days, scheduled	-	41	141
Off-hire days, unscheduled	9	5	85
% of days in main combination trades <sup>2</sup>	86 %	69 %	73 %
Utilisation <sup>3</sup>	99 %	96 %	91 %

## FINANCIAL PERFORMANCE

Net revenues from operations of vessels were USD 22.4 million in Q1 2020 compared to USD 13.3 million in the same quarter last year, primarily as a result of considerably higher average TCE earnings and in addition two more vessels in operation. The average TCE earnings per on-hire day were above \$20,000/day for both segments, more than \$4,200/day higher than in Q1 2019, mainly due to higher share of combination trading for both segments and considerably less off-hire.

Operating expenses for the vessels increased from USD 7.0 million in Q1 2019 to USD 8.3 million in Q1 2020 mainly due to two more vessels in operation.

Adjusted EBITDA for the period ended at USD 12.9 million up from USD 5.3 million in Q1 2019 and USD 9.2 million in previous quarter.

Net result from financial items was negative USD 4.2 million in Q1 compared to negative USD 2.8 million for the same period last year. Net interest expenses were USD 1.2 million higher due to higher mortgage debt following the delivery of the CLEANBU vessels and higher bond debt. The profit and loss statement for Q1 2020 is impacted by a realized loss of in total USD 0.9 million related to the KCC04 bond issue, repurchase of the KCC03 bond issue and settlement of the cross-currency interest rate swap securing the KCC03 bond issue. All interest rate derivatives and the entire FFA portfolio have from 1 January 2020 been accounted for as hedges. Non-cash fair value changes of these derivatives are hence recognized over other comprehensive income in Q1 2020, while such effects had a negative profit and loss impact of USD 0.9 million in Q1 2019.

Net profit after tax for Q1 ended at USD 4.3 million compared to a loss of USD 0.8 million for the same period last year and up from USD 1.7 million in Q4 2019.

## THE CABU BUSINESS

(USD/day) / # of days	Q1 2020	Q1 2019	2019
Average TCE earnings (note 2)	20 283 \$/d	16 088 \$/d	16 877 \$/d
Opex per day (note 2)	7 104 \$/d	7 045 \$/d	6 800 \$/d
Onhire days	815	805	3 171
Off-hire days, scheduled	-	-	96
Off-hire days, unscheduled	4	5	18
% of days in main combination trades <sup>2</sup>	92 %	70 %	74 %
Ballast days in % of total on-hire days	15 %	11 %	11 %
Utilisation <sup>3</sup>	99 %	96 %	94 %

Average TCE earnings per on-hire day for the CABU vessels ended at \$20,283/day for Q1 2020, the strongest average TCE earning per on-hire day since 2015. CABU earnings were 1.1 x average daily earnings for standard MR-tankers in the same period and up from \$16,088/day in Q1 2019 and \$19,002/day in Q4 2019. The CABUs were fully employed in combination trades except for the positioning of one vessel from Far East to America.

<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

Caustic soda shipment volume was strong in the quarter and earnings from shipment of caustic soda strengthened during the quarter following a stronger MR-tanker spot market in the second half of the quarter. The substantial weakening of both the dry bulk and fuel markets have negatively impacted earnings. The impact of the weak physical dry bulk market was partly off-set by gain on FFAs. The results include a one-time compensation of USD 0.7 million for cancelled shipment volumes under a COA in 2019.

Operating costs ended at \$7,104/day in Q1 2020, quite stable compared to Q1 2019 (\$7,045/day). Off-hire for the period was 4 days and was as well quite stable compared to the same period last year (6 days).

## THE CLEANBU BUSINESS

(USD/day) / # of days	Q1 2020	Q1 2019	2019
Average TCE earnings (note 2)	20 932 \$/d	10 875 \$/d	18 300 \$/d
Opex per day (note 2)	9 198 \$/d	8 774 \$/d	10 751 \$/d
Onhire days	268	33	465
Off-hire days, scheduled	-	-	45
Off-hire days, unscheduled	5	41	69
% of days in main combination trades <sup>1</sup>	68 %	0 %	61 %
Ballast days in % of total on-hire days	17 %	0 %	21 %
Utilisation <sup>2</sup>	98 %	48 %	78 %

Average CLEANBU TCE earnings per on-hire day ended at \$20,932/day for the quarter, being 0.9 x average daily earnings for standard LR1-tankers in the same period, up from \$10,875/day in Q1 2019 and \$18,715/day in the previous quarter. The first CLEANBU vessel, MV Baru, was delivered in January 2019 and the TCE for Q1 2019 was impacted by the initial phase-in of the vessel. The vessel traded as a pure tanker vessel through the quarter. One of the three CLEANBU vessels has during Q1 2020 traded as a pure tanker vessel, while the two other vessels have been trading efficiently in combination pattern earning in average \$24,000/day. The CLEANBU TCE earnings were as the CABU earnings positively impacted by a strong tanker market, but negatively impacted by weak dry bulk markets and steep fall in fuel prices.

Average operating costs for the CLEANBU vessels ended at \$9,198/day for the quarter, somewhat up from Q1 2019 (\$8,774/day) and down from \$10,836/day for Q4 2019. Operating costs have been quite volatile over the last year due to costs related to the phase-in of the newbuildings. The CLEANBU fleet had in total 5 days off-hire in the quarter, down from 13 unscheduled off-hire days in the previous quarter and 41 unscheduled off-hire days in Q1 2019.

## CAPITAL AND FINANCING

KCC issued a five-year bond (KCC04) of NOK 500 million in February 2020 and has repurchased NOK 158 million of the NOK 300 million KCC03 bond issue with maturity in May 2021. The remaining NOK 142 million will be repaid at the latest on the final maturity date in May 2021. Margin is down from NIBOR + 5.25% in KCC03 to NIBOR + 4.75%. The KCC04 bond was listed on Oslo Stock Exchange in May. Bank financing has been secured for all three CLEANBU newbuildings with delivery in 2020 and credit approval has been obtained for the financing of the two newbuildings with delivery in 2021. The latter is subject to final documentation and the margin will likely be higher than in the existing bank facilities as a consequence of the current financial market conditions.

The equity ratio was per end of first quarter 2020 43%, down from 47% by year end 2019, while cash and cash equivalents ended at USD 77.9 million up by USD 20.8 million in the same period. Total interest-bearing debt ended at USD 247.9 million, an increase of USD 25.5 million from year-end 2019. All mentioned balance sheet items are impacted by the KCC04 bond issue and repurchase of KCC03 volumes.

Net cash flow from operating activities was USD 3.3 million in Q1 mainly due to positive EBITDA of USD 12.8 million, partly off-set by negative change in net current assets. Net cash flow from investments was negative USD 5.8 million and mainly consists of yard instalments related to newbuildings. Net cash flow from financing activities was positive USD 22.1 million, impacted by the bond issue, repurchase of existing bond, settlement of the cross-currency interest rate swap related to the KCC03 bond and cash collateral provided for negative value on financial derivatives.

## FLEET

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

The delivery of the next CLEANBU vessels will be delayed due to the ongoing COVID-19 virus outbreak and travel restrictions. Expected delivery of the fourth CLEANBU vessel is July 2020, with the four subsequent newbuildings expected to be delivered in the period October 2020 to March 2021. The delivery dates are uncertain and additional delays might occur.

There are outstanding guarantee items relating to two of the CLEANBU vessels on water, MV Barracuda and MV Barramundi, implying off-hire and possibly related costs. MV Baru and the subsequent five newbuildings under construction have no similar issues. The repairs are targeted to be made for one vessel in Q4 2020 and for the other vessel during first half 2021. These guarantee items are not linked to the combination carrier concept or trading capabilities of the vessels and are not expected to impact the vessels performance until being rectified.

One drydocking in connection with an intermediate survey has been cancelled, leaving three CABU vessels scheduled for periodic drydocking in the period June to December 2020 and two out of the three vessels will install BWTS in relation to the drydocking. As part of KCC's initiatives to improve the energy efficiency of its fleet and to reach its decarbonization targets, KCC will amongst others invest in fuel saving silicone antifouling coating as well ultrasonic protection system to protect propellers from marine growth on all vessels.

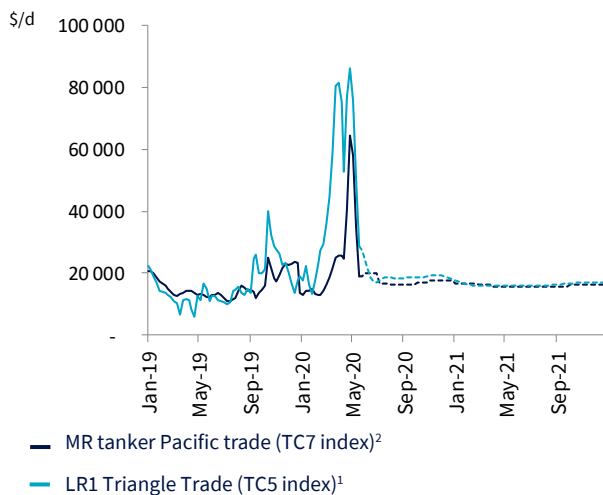
<sup>1</sup> % of days in main combination trades = number of days in combination trade from Far East/Middle East to Australia, US Gulf to Brazil and Middle East/India to South America as a percentage of total on-hire days.

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

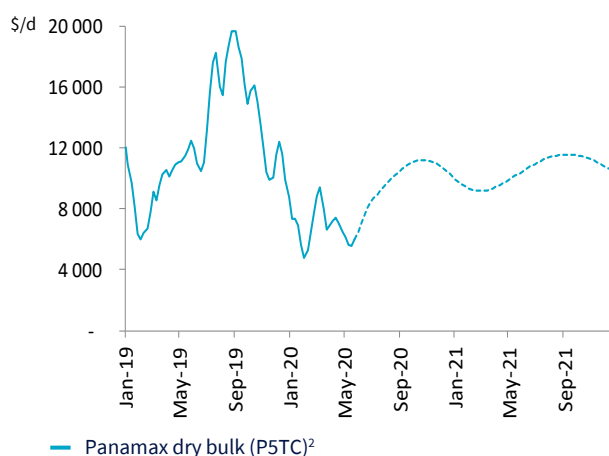
## MARKET DEVELOPMENT

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.

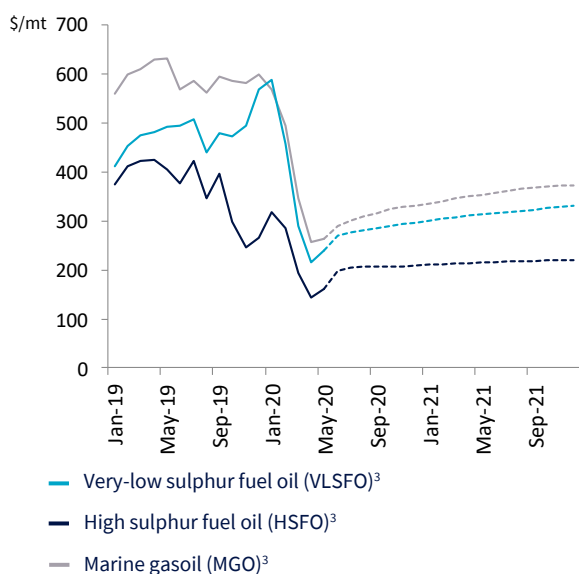
**Fig. 1: Product tanker market**



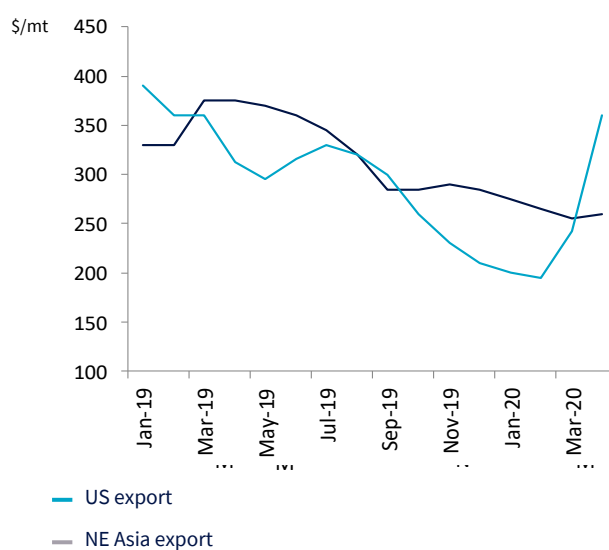
**Fig. 2: Dry bulk market**



**Fig. 3: Fuel market**



**Fig. 4: Caustic Soda prices**



Average dry bulk freight rates for Q1 2020 recorded the lowest quarterly average since Q1 2016. The global pandemic accelerated the seasonal decline in demand which coincides with seasonal high fleet growth. However, all time high grain export from East Coast South America put a hand under the Panamax market and offset some of the negative impacts from lower dry bulk demand in general. Panamax (P5TC) rates averaged \$7,080/day, down from \$12,684/day in Q4 2019 and down from \$8,471/day in Q1 2019. The nominal total dry bulk fleet growth in Q1 of 4.1% was the highest since Q1 2015.

Freight rates in Q2 have started on a weak note with Panamax rates averaging \$6,642/day as of mid-May. Global industrial production and energy demand have been curtailed by COVID-19 leading to negative Q/Q growth rates in the trade of most dry bulk commodities. While still strong, vessel demand from the aforementioned grain export season in East Coast South America is abating during Q2. Assuming that the peak in negative effects on industrial production from the pandemic is behind us, there are several drivers which can propel dry bulk freight rates higher in the second half of 2020. This includes an increase in iron ore volumes from Brazil, increased coal shipments and a strong grain export season in the US.

The product tanker market had a strong start of 2020 on the back of the implementation of the IMO 2020 Sulphur cap regulations with the TC5 TCE earnings, as reported by the Baltic Exchange, recorded at around \$18,500/day, but rates fell back during the first half of the quarter. During second half of the first quarter oil prices plunged due to both lower energy demand curtailed by COVID-19, as well as increased oil supply caused by the Saudi Russian oil price war. This resulted in a dramatic mismatch between supply and demand and has led to a substantial increase in floating storage and port congestion. TCE-rates have hence substantially increased towards the end of first quarter and during the first half of the second quarter. The TC5 TCE-earnings recorded a year-to-date high of around \$110,000/day. It has since fallen back to around \$26,000/day. It is expected that rates will continue to come off as the balance in the oil markets will improve with both oil production curtailments and improved demand for oil as the world economy is restarting.

<sup>1</sup> According to KCC triangular model with baltic exchange TC5 historical and FFA market levels.

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

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

The supply-demand situation for caustic soda solution (CSS) has been tight in Q1, especially in Europe and the US. The demand for PVC has declined 30-40% and chloralkali plants have reduced operations. CSS prices were hence up USD 70-100 per mt in April in these regions. The supply situation in the Far East is more stable and prices are relatively stable.

Fuel oil prices are down as a consequence of the global COVID-19 situation, reduced consumer demand for goods and hence reduced demand for fuel oil. However, this is partly offset by ship owners stocking up cheap fuel, lower oil production and lately an easing of lockdowns.

## HEALTH, SAFETY AND ENVIRONMENT

### HEALTH AND SAFETY

Safety is KCC's priority number one and to the Board's satisfaction there were no major incidents in Q1 2020, however, we saw an unfortunate increase in the number of medium injuries. Two of the three medium injuries related to fall from height during cleaning of cargo tanks. Investigations have been made to identify the root cause of the three incidents of which one investigation was conducted by a third party. A number of corrective measures have been implemented and a safety culture program has been initiated to strengthen further the safety culture onboard KCC's fleet. There were no navigational incidents or spills to the environment in Q1 2020.

No COVID-19 cases have been reported in the fleet and strict procedures have been implemented on board to avoid crew being infected. It is practically impossible to make crew changes, which might cause increased costs and risk of crew fatigue if not solved within a reasonable time frame. 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	Q1 2020	Q1 2019	2019
# of medium* injuries	3	1	5
# of major** injuries	-	-	-
# of navigational incidents	-	-	3
# of spills to the environment	-	-	-

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

\*\*Major = Severe injury or death

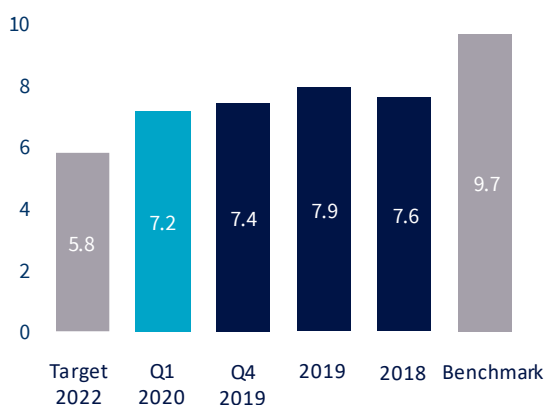
## ENVIRONMENT

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.

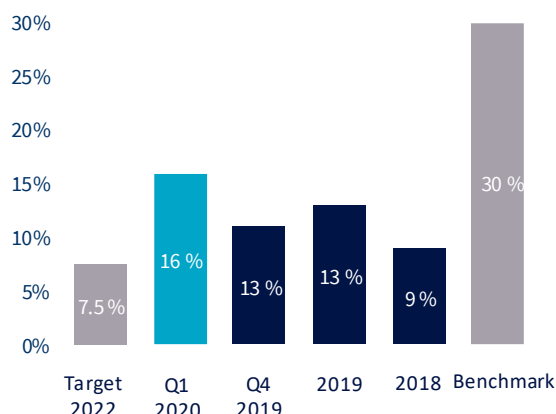
KCC's combination carriers provide the most carbon efficient and environmentally friendly deep-sea transportation solution available today. Our vessels effectively combine wet and dry cargo, minimizing ballast to around 10% of the time, whilst regular tankers and dry bulk vessels typically ballast 30-45% 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.

KCC's environmental performance as expressed by its main environmental KPIs had mixed results in Q1 2020. CO<sub>2</sub> emissions per ton transported cargo per nautical mile (EEOI) ended at 7.2 for first quarter and is the best quarterly performance ever reported for the fleet. The CABU fleet was mostly employed in combination trading (92%) through the quarter and two of three CLEANBU vessels were employed on long voyages in an efficient combination trading pattern to/from South America. Average CO<sub>2</sub> emission per vessel had on the other hand a negative development and increased from 19,800 mt in the previous quarter. This increase is mainly due to periodization effects linked to the calculation method and the KPI needs to be evaluated over a longer time horizon.

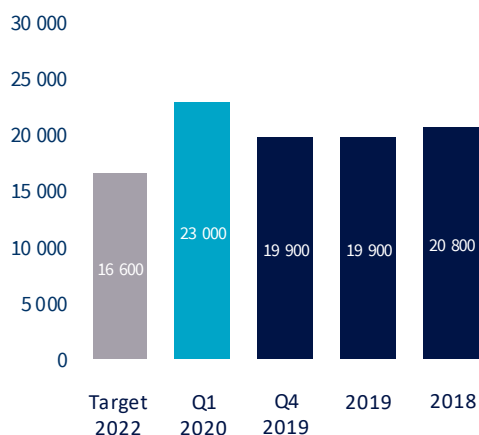
CO<sub>2</sub> emission per ton transported cargo per nautical mile (EEOI)<sup>1,2</sup>



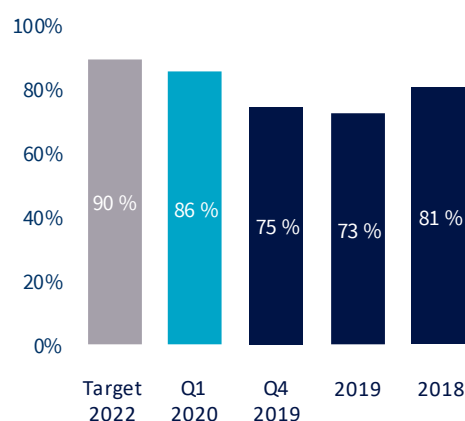
Ballast days in % of total on-hire days<sup>2</sup>



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



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



<sup>1</sup> The average CO<sub>2</sub> emissions per vessel is calculated based on the total CO<sub>2</sub> emissions for the fleet, divided on the number of ship years. Number of ship years is the total calendar time minus offshore time while new delivered vessels are counted from date of delivery. Quarterly figures (Q3 and Q4 2019) are annualized.

<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> 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 we have a little degree of ballast, but we have also seen that the index is highly affected by one or two longer ballast legs since the fleet is relatively small. These variations are evident when we look at the historical numbers, but will most likely be more stable when we have more vessels in the fleet.

<sup>4</sup> The EEOI and % ballast for "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. End date of a voyage is decisive for periodisation of ballast days and CO<sub>2</sub> emission (EEOI).

## OUTLOOK AND SUBSEQUENT EVENTS

The situation related to the COVID-19 virus is uncertain. The virus has serious negative effects on the world economy which again negatively impacts demand in the dry bulk, tanker and fuel markets driving the earnings of KCC's fleet. These three markets have, however, had a different development during Q1 2020 and the first half of Q2 2020. While both dry bulk freight rates and fuel prices have tumbled, the product tanker market rose in April to the highest level recorded since 2005. KCC has utilized this strong tanker market to substantially increase the tanker market coverage for the balance of 2020 and first half 2021 by securing 3-6 months time charters for two of the CLEANBU vessels and a 9-12 months time charter for the third CLEANBU vessel. In addition, two COAs for transportation of caustic soda have been extended by one year and three years respectively and tanker freight derivatives have been sold for second half 2020 and Q1 2021. The full tanker capacity for the entire fleet has been secured for Q2 2020 (98% fixed rate), 69% for 2H 2020 (60% fixed rate) and 28% for 1H 2021 (16% fixed rate). KCC's contract coverage and trading pattern make KCC more resilient to demand shocks compared to many other players in the standard tanker and dry bulk market, however, negative consequences on KCC's earnings may occur as a result of lower activity in shipping markets going forward.

The delivery of the next CLEANBU vessels will be delayed due to the COVID-19 virus. The shipyard earlier this year declared a force majeure situation for delays caused by the virus. While activity at the shipyard has resumed, the supervision team is not complete as per May 2020 due to the COVID-19 outbreak and travel restrictions in Europe and in the Philippines as well as Chinese entry ban for foreigners. Agreements have been made with the shipyard to postpone delivery of the next CLEANBU newbuild until July 2020. The four subsequent CLEANBU newbuilds have agreed delivery dates in August 2020-February 2021 but will likely be delayed by approximately 1-2 months. Delivery might be further delayed.

The COVID-19 situation has negative operational consequences and amongst others it is currently difficult to make crew changes. Likewise, the Company finds it difficult to get ship managers, service personnel and vetting inspectors on board. It has also been necessary in some instances to deviate vessels to get supplies on-board. These factors have so far had limited impact on the operation of the vessels and have had limited financial impact, however, it remains uncertain how this will develop going forward.

The earnings outlook for 2020 for the CLEANBU and the CABU fleet is positive based on the secured COA and TC contracts. Once oil markets re-balance and the world economy restarts, there should be a considerable upside potential in both the dry bulk and fuel markets. As additional vessels are delivered in 2020 and 2021, the CLEANBU earnings are dependent on continued successful trading of the CLEANBUs in efficient combination trades and expansion of the number of CPP customers, types of cargoes, trades and terminals and continued improved vetting statistics and technical performance. Year to date in 2020 the vessels have successfully called a number of new terminals and with a number of new types of cargoes, e.g. jet fuel.

Oslo, 26 May 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		Year ended Audited 31 Dec 2019
		Unaudited 31 Mar 2020	Unaudited 31 Mar 2019	
Freight revenue	<a href="#">3</a>	43 977	28 308	130 768
Charter hire revenue	<a href="#">3</a>	761	233	5 752
<b>Total revenues, vessels</b>	<a href="#">3</a>	<b>44 738</b>	<b>28 541</b>	<b>136 521</b>
Voyage expenses		(22 335)	(15 215)	(75 194)
<b>Net revenues from operations of vessels</b>		<b>22 403</b>	<b>13 326</b>	<b>61 327</b>
Operating expenses, vessels		(8 253)	(6 962)	(29 913)
Group commercial and administrative services	<a href="#">9</a>	(825)	(1 261)	(4 396)
Salaries and social expence	<a href="#">9</a>	(234)	-	-
Tonnage tax		(8)	(36)	(163)
Other operating and administrative expenses		(258)	(330)	(1 093)
<b>Operating profit before depreciation (EBITDA)</b>		<b>12 825</b>	<b>4 736</b>	<b>25 763</b>
Ordinary depreciation	<a href="#">4</a>	(4 354)	(2 778)	(14 070)
<b>Operating profit after depreciation (EBIT)</b>		<b>8 472</b>	<b>1 958</b>	<b>11 692</b>
Finance income	<a href="#">7</a>	256	730	3 024
Finance costs	<a href="#">7</a>	(4 414)	(3 491)	(14 105)
<b>Profit before tax (EBT)</b>		<b>4 314</b>	<b>(803)</b>	<b>612</b>
Income tax expenses		-	-	(15)
<b>Profit after tax</b>		<b>4 314</b>	<b>(803)</b>	<b>597</b>
Attributable to:				
Equity holders of the parent company		4 314	(803)	597
<b>Total</b>		<b>4 314</b>	<b>(803)</b>	<b>597</b>
<b>Earnings per Share (EPS):</b>				
Basic and diluted, profit for the period attributable to ordinary equity holders of the parent		<b>0.09</b>	<b>(0.02)</b>	<b>0.01</b>

# STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended		Year ended
	Unaudited	Unaudited	Audited
	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>USD '000</b>			
<b>Profit/ (loss) of the period</b>	<b>4 314</b>	<b>(803)</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)	(11 327)	119	(1 438)
Reclassification to profit and loss (CCIRS)	7 430	283	1 347
Net movement fair value on interest rate swaps	(2 876)	(269)	(686)
Net movement fair value FX hedge	-	(44)	38
Net movement fair value bunker hedge	(1 152)	970	918
Net movement fair value FFA hedge	(532)	986	85
<b>Net other comprehensive income to be reclassified to profit or loss</b>	<b>(8 457)</b>	<b>2 045</b>	<b>265</b>
<b>Total comprehensive income/(loss) for the period, net of tax</b>	<b>(4 143)</b>	<b>1 242</b>	<b>862</b>
Attributable to:			
Equity holders of the parent company	(4 143)	1 242	862
<b>Total</b>	<b>(4 143)</b>	<b>1 242</b>	<b>862</b>

# STATEMENT OF FINANCIAL POSITION

(Figures in USD '000)

ASSETS	Notes	Unaudited 31 Mar 2020	Audited 31 Dec 2019
<b>Non-current assets</b>			
Vessels	4	311 124	315 208
Newbuilding contracts	5	67 974	62 316
Right of-use assets	4	1 657	1 765
Long-term financial assets	6	-	202
Long-term receivables	9	70	-
<b>Total non-current assets</b>		<b>380 825</b>	<b>379 490</b>
<b>Current assets</b>			
Short-term financial assets	6	549	1 077
Inventories		8 903	7 163
Trade receivables and other current assets		18 575	14 313
Short-term receivables from related parties		60	130
Cash and cash equivalents		77 873	57 089
<b>Total current assets</b>		<b>105 960</b>	<b>79 772</b>
<b>TOTAL ASSETS</b>		<b>486 785</b>	<b>459 262</b>

EQUITY AND LIABILITIES		Unaudited 31 Mar 2020	Audited 31 Dec 2019
<b>Equity</b>			
Share capital	8	5 725	5 725
Share premium		130 155	130 155
Other reserves		(8 149)	316
Retained earnings		81 505	77 681
<b>Total equity</b>		<b>209 237</b>	<b>213 878</b>
<b>Non-current liabilities</b>			
Mortgage debt	6	165 033	169 304
Long-term financial liabilities	6	14 557	3 626
Long-term lease liabilities		1 288	1 395
Bond loan	6	59 552	33 836
<b>Total non-current liabilities</b>		<b>240 430</b>	<b>208 161</b>
<b>Current liabilities</b>			
Short-term mortgage debt	6	17 367	17 367
Other interest bearing liabilities	6	5 939	1 835
Short-term financial liabilities	6	1 194	-
Short-term lease liabilities		412	407
Trade and other payables		11 745	16 841
Short-term debt to related parties		349	617
Tax liabilities		113	157
<b>Total current liabilities</b>		<b>37 118</b>	<b>37 223</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>486 785</b>	<b>459 262</b>

Oslo, 26 May 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

Engbret 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	-	-	-	-	4 314	<b>4 314</b>
Other comprehensive income for the period	-	-	-	(8 457)	-	<b>(8 457)</b>
Purchase of own shares	-	-	(8)	-	-	<b>(8)</b>
Share option program	-	-	-	-	(9)	<b>(9)</b>
Dividends	-	-	-	-	(480)	<b>(480)</b>
<b>Equity at 31 March 2020</b>	<b>5 725</b>	<b>130 155</b>	<b>(8)</b>	<b>(8 141)</b>	<b>81 505</b>	<b>209 237</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	-	-	-	-	(803)	<b>(803)</b>
Other comprehensive income for the period	-	-	-	2 045	-	<b>2 045</b>
Dividends	-	-	-	-	(1 418)	<b>(1 418)</b>
<b>Equity at 31 March 2019</b>	<b>4 863</b>	<b>92 271</b>	-	<b>2 096</b>	<b>78 680</b>	<b>177 911</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)

		Quarter ended		Year ended
	Notes	Unaudited 31 Mar 2020	Unaudited 31 Mar 2019	Audited 31 Dec 2019
Profit before tax		4 314	(803)	612
Tonnage tax expensed		8	36	163
Ordinary depreciation	4	4 354	2 778	14 070
Amortization of upfront fees bank loans		215	77	373
Financial derivatives loss / gain (-)	6	(754)	459	3 681
Gain /loss on foreign exchange		255	-	(1 074)
Interest income	7	(231)	(541)	(1 885)
Interest expenses	7	2 987	2 294	9 889
Taxes paid for the period		-	(45)	(46)
Change in current assets		(3 103)	394	(5 090)
Change in current liabilities**		(5 011)	(1 129)	9 294
Interest received	7	231	541	1 885
<b>A: Net cash flow from operating activities</b>		<b>3 264</b>	<b>4 060</b>	<b>31 873</b>
Acquisition of tangible assets	4	(162)	(488)	(6 010)
Installments and other cost on newbuilding contracts**	5	(5 658)	(46 056)	(158 285)
<b>B: Net cash flow from investment activities</b>		<b>(5 820)</b>	<b>(46 544)</b>	<b>(164 295)</b>
Proceeds from mortgage debt	6	-	31 000	93 000
Net proceeds from bond loan	6	-	(630)	(630)
Proceeds from bond loan (KCC04)	6	54 028	-	-
Buyback of bond loan (KCC03)		(17 879)	-	-
Transaction costs on issuance of loans		(870)	(454)	(1 596)
Repayment of mortgage debt	6	(4 342)	(3 050)	(13 923)
Terminated financial instruments	7	(3 101)	-	-
Collateral paid on financial instruments		(2 900)	-	-
Interest paid		(2 268)	(1 718)	(9 014)
Repayment of financial lease liabilities		(108)	(94)	(385)
Purchase of own shares		(8)	-	-
Capital increase May 20, 2019		-	-	40 096
Transaction costs on capital increase		-	-	(2 147)
Dividends		(480)	-	(3 814)
<b>C: Net cash flow from financing activities</b>		<b>22 072</b>	<b>25 054</b>	<b>101 587</b>
Effect of exchange rate changes on cash		(2 836)	-	-
<b>Net change in liquidity in the period</b>		<b>16 680</b>	<b>(17 431)</b>	<b>(30 836)</b>
Cash and cash equivalents at beginning of period		55 254	86 090	86 090
Cash and cash equivalents at end of period*		71 934	68 660	55 254
<b>Net change in cash and cash equivalents in the period</b>		<b>16 680</b>	<b>(17 431)</b>	<b>(30 836)</b>
<i>*Reconciliation of cash and cash equivalents presented in cash flow statement:</i>				
Cash and cash equivalents		77 873	71 665	57 089
Other interest bearing liabilities		5 939	3 005	1 835
<b>Cash and cash equivalents (as presented in cash flow statement)</b>		<b>71 934</b>	<b>68 660</b>	<b>55 254</b>

\*\* Yard installment of USD 4.7 million paid in January 2020 is included 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
<b>09</b>	Transactions with related parties
<b>10</b>	Events after the balance sheet date
<b>11</b>	Reconciliation of alternative performance measures



# 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 three CLEANBU vessels in operation and five CLEANBU newbuildings with estimated delivery between 2H 2020 and 1H 2021. The CLEANBUs are both full fledged LR1 product tankers and kamsarmax dry bulk vessels.

## ACCOUNTING POLICIES

The interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the 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.

## 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, re-issue 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, three CLEANBUs on water and five CLEANBUs on order with expected deliveries through 2020 and 2021.

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. The three CLEANBU vessels were delivered 10 January, 29 July and 20 September 2019.

Operating income and operating expenses per segment			
Q1 2020			
(USD'000)			
	CABU	CLEANBU	Total
Operating revenue, vessels	34 798	9 939	44 738
Voyage expenses	(18 349)	(3 986)	(22 335)
<b>Net revenue</b>	<b>16 453</b>	<b>5 953</b>	<b>22 403</b>
Operating expenses, vessels	(5 738)	(2 515)	(8 253)
Group administrative services	(574)	(251)	(825)
Tonnage tax	(7)	(1)	(8)
Other operating and administrative expenses	(342)	(150)	(491)
<b>Operating profit before depreciation (EBITDA)</b>	<b>9 793</b>	<b>3 036</b>	<b>12 825</b>
Ordinary depreciation	(2 817)	(1 537)	(4 354)
<b>Operating profit after depreciation (EBIT)</b>	<b>6 976</b>	<b>1 499</b>	<b>8 472</b>

Reconciliation of average revenue per onhire day (TCE earnings USD/day)			
Q1 2020			
(USD'000)			
	CABU	CLEANBU	Total
Net revenues from operations of vessels	16 453	5 953	22 403
IFRS 15 adjustment*	80	(340)	(259)
Net revenue ex IFRS adjustment	16 533	5 613	22 144
Onhire days	815	268	1 083
<b>Average TCE earnings per onhire day (\$/d)</b>	<b>20 283</b>	<b>20 932</b>	<b>20 441</b>

Reconciliation of opex per day			
Q1 2020			
(USD'000)			
	CABU	CLEANBU	Total
Operating expenses, vessels	5 738	2 515	8 253
Leasing cost previously presented as opex	81	27	108
Start up cost CLEANBU vessels	-	(31)	(31)
Operating expenses, vessels adjusted	5 818	2 511	8 329
Operating days	819	273	1 092
<b>Opex per day (\$/d)</b>	<b>7 104</b>	<b>9 198</b>	<b>7 627</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****Q1 2019****(USD'000)**

	<b>CABU</b>	<b>CLEANBU</b>	<b>Total</b>
Operating revenue, vessels	27 892	649	28 541
Voyage expenses	(14 925)	(290)	(15 215)
<b>Net revenue</b>	<b>12 967</b>	<b>359</b>	<b>13 326</b>
Operating expenses, vessels	(5 707)	(1 256)	(6 962)
Group administrative services	(1 295)	34	(1 261)
Tonnage tax	(33)	(3)	(36)
Other operating and administrative expenses	(248)	(83)	(330)
<b>Operating profit before depreciation (EBITDA)</b>	<b>5 685</b>	<b>(948)</b>	<b>4 737</b>
Ordinary depreciation	(2 289)	(489)	(2 778)
<b>Operating profit/EBIT</b>	<b>3 396</b>	<b>(1 437)</b>	<b>1 959</b>

**Reconciliation of average TCE earnings per onhire day****Q1 2019****(USD'000)**

	<b>CABU</b>	<b>CLEANBU</b>	<b>Total</b>
Net revenues from operations of vessels	12 967	359	13 326
IFRS 15 adjustment	(28)	-	(28)
Net revenue ex IFRS adjustment	12 939	359	13 298
Onhire days	805	33	838
<b>Average TCE earnings per onhire day (\$/d)</b>	<b>16 088</b>	<b>10 875</b>	<b>15 877</b>

**Reconciliation of opex per day****Q1 2019****(USD'000)**

	<b>CABU</b>	<b>CLEANBU</b>	<b>Total</b>
Operating expenses, vessels	5 707	1 256	6 962
Start up cost CLEANBU vessels	-	(554)	554
Operating expenses, vessels adjusted	5 707	702	6 409
Operating days	810	80	890
<b>Opex per day (\$/d)</b>	<b>7 045</b>	<b>8 774</b>	<b>7 202</b>

## 03 Revenue from contracts with customers

**Disaggregated revenue information**

The Group has income from COA contracts (1-3 years), spot voyages and TC trips. Set out below is the disaggregation of the Group's revenue from contracts with customers.

<b>Revenue types (USD'000)</b>	<b>Classification</b>	<b>Quarter ended</b>		<b>Year ended</b>
		<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
Revenue from COAs	Freight revenue	31 073	20 009	98 110
Revenue from spot voyages	Freight revenue	12 904	8 298	32 658
Revenue from TC contracts	Charter hire revenue	761	233	5 752
<b>Total revenue, vessels</b>		<b>44 738</b>	<b>28 541</b>	<b>136 521</b>

## 04 Vessels

<b>Vessels</b> <b>(USD '000)</b>	<b>31 Mar 2020</b>	<b>31 Dec 2019</b>
Cost price 1.1	492 075	330 218
Delivery of newbuildings	-	155 847
Additions (mainly upgrading and docking of vessels)	162	6 010
<b>Costprice end of period</b>	<b>492 237</b>	<b>492 075</b>
Acc. Depreciation 1.1	176 866	163 181
Depreciation for the period	4 246	13 685
<b>Acc. Depreciation end of period</b>	<b>181 112</b>	<b>176 866</b>
<b>Carrying amounts end of period*</b>	<b>311 124</b>	<b>315 208</b>
*carrying value of vessels includes dry-docking		
No. of vessels	12	12
Useful life	25	25
Depreciation schedule	Straight-line	Straight-line

<b>Reconciliation of depreciations</b> <b>(USD'000)</b>	<b>Quarter ended</b>		<b>Year ended</b>
	<b>31 Mar 2020</b>	<b>31 Mar 2019</b>	<b>31 Dec 2019</b>
Depreciation vessels	4 246	2 684	13 685
Depreciation right of use assets	108	94	385
<b>Depreciations for the period</b>	<b>4 354</b>	<b>2 778</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. Despite all uncertainties following Covid-19, solid TCE earnings for Q1 for both the fleet of CABUs and the fleet of CLEANBUs, high contract coverage for 2020 and strong tanker market supports the conclusion of no impairment indicators identified as per 31 March 2020.

## 05 Newbuildings

The Group has five CLEANBU combination carrier newbuildings on order at Jiangsu New Yangzi Shipbuilding Co., Ltd in China with delivery scheduled in the period 2H 2020 and 1H 2021. The contracts include options for further four vessels.

Bank loans have been secured for the first three newbuildings with delivery in 2020 (note 6), and credit approval has been obtained for bank debt related to the two newbuildings with delivery in 2021 (latter subject to final documentation).

(USD '000)	31 Mar 2020	31 Mar 2019
Cost 1.1	62 316	59 877
Borrowing cost	211	1 302
Yard installments paid	4 650	148 170
Other capitalized cost	797	8 813
Delivery of newbuildings	-	(155 847)
<b>Net carrying amount</b>	<b>67 974</b>	<b>62 316</b>

### CAPITAL COMMITMENT

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

Remaining installments at 31 March 2020 (USD '000)	2020	2021	Total
Combination carriers	106 950	65 100	172 050
<b>Total commitments newbuildings</b>	<b>106 950</b>	<b>65 100</b>	<b>172 050</b>

## 06 Financial assets and liabilities

The below tables present the Group's financing arrangements as per 31 March 2020.

The Group has USD 182.4 million in interest-bearing mortgage debt per end March 2020. To mitigate interest rate exposure, the Group has entered into interest rate swaps (IRS) to hedge the risk of variability of changes in cash flows of the interest bearing bank debt as a result of changes in floating interest rates. As from 1 January 2020, the Group treat all such IRS instruments as a portfolio which aims to hedge the underlying portfolio of interest-bearing debt in line with the Group's finance policy. Changes in fair value of the IRS hedge instruments are recognised at fair value with changes through other comprehensive income.

On 30 January 2020, the Company completed the placement of a new senior unsecured bond issue of NOK 500 million with maturity date 11 February 2025. The bond carries a coupon of 3 months NIBOR + 475 bps p.a. with quarterly interest payments. NOK 400 million of the new bond loan (KCC04) was swapped to USD with fixed rate (cross currency interest rate swaps /CCIRS). The CCIRS qualify for hedge accounting and are recognised at fair value with changes through other comprehensive income.

During 2020, NOK 158 million of the KCC03 bond has been repurchased and the remaining NOK 142 million will be repaid at the latest on the final maturity date in May 2021. In February 2020 KCC terminated the cross-currency interest rate swap agreement related to KCC03 with Klaveness Ship Holding with a net P&L effect of negative USD 0.3 million.

(USD '000)				
Mortgage debt	Description	Interest rate	Maturity	Carrying amount
Nordea/Danske Facility	Term loan, USD 100 mill	LIBOR + 2.3 %	March 2022	84 113
DNB/SEB Facility	Term loan, USD 105 mill	LIBOR + 2.3 %	December 2023	98 986
SEB/SR-Bank/SPV Facility*	Term loan/RCF, 90.75 mill	LIBOR + 2.3 %	October 2025	-
Capitalized loan fees				(700)
<b>Mortgage debt 31 March 2020</b>				<b>182 399</b>

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

Bond loan	Face value	Maturity	Carrying amount
	NOK'000		31 Mar 2020 USD'000
KCC03	300 000	27.05.2021	35 370
Buyback KCC03 (Q1 2020)	(158 000)		(18 628)
Exchange rate adjustment			(3 368)
Capitalized expenses			(870)
<b>Sum KCC03</b>			<b>12 504</b>
KCC04	500 000	11.02.2025	54 028
Exchange rate adjustment			(6 937)
Capitalized expenses			(43)
<b>Sum KCC04</b>			<b>47 048</b>
<b>Total bond loan</b>	<b>642 000</b>		<b>59 552</b>

(USD '000)			
Interest bearing liabilities	Fair value 31 Mar 2020	Carrying amount 31 Mar 2020	Carrying amount 31 Dec 2019
Mortgage debt	165 732	165 732	170 074
Capitalized loan fees	-	(700)	(770)
Bond loan	60 430	60 465	34 023
Capitalized expenses bond loan	-	(913)	(187)
<b>Total non-current interest bearing liabilities</b>	<b>226 162</b>	<b>224 585</b>	<b>203 139</b>
Mortgage debt, current	17 367	17 367	17 367
Overdraft facility (Secured)	5 939	5 939	1 835
<b>Total interest bearing liabilities</b>	<b>249 467</b>	<b>247 890</b>	<b>222 341</b>

## MATURITY PROFILE TO FINANCIAL LIABILITIES AT 31 MARCH 2020

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

(USD '000)					
Maturity profile financial liabilities at 31 Mar 2020	< 1 year	1-3 years	3-5 years	> 5 years	Total
Mortgage debt (incl interests)	24 240	99 129	78 184	-	201 552
Bond loan (incl interest)	4 298	20 387	59 243	-	83 927
<b>Total</b>	<b>28 537</b>	<b>119 516</b>	<b>137 426</b>	<b>-</b>	<b>285 479</b>

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

## COVENANTS

As per 31 March 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 level relate to minimum equity (USD 110 million) and equity ratio (30%), minimum cash (the higher of USD 10 million and 5 % of net interest-bearing debt) and net debt to EBITDA of max 7x in 2020 and max 5x from 2021 (some facility agreements include a loan margin adjustment based on net debt to operating profit ratio in 2020). In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan.

Financial assets (USD '000)			31 Mar 2020	31 Dec 2019
<b>Financial instruments at fair value through OCI</b>				
Forward freight agreements			545	1 056
<b>Financial instruments at fair value through P&amp;L</b>				
Forward freight agreements			-	21
Interest rate swaps			4	202
<b>Financial assets</b>			<b>549</b>	<b>1 279</b>
Current			549	1 077
Non-current			-	202
Financial liabilities (USD '000)			31 Mar 2020	31 Dec 2019
<b>Financial instruments at fair value through OCI</b>				
Cross-currency interest rate swap (CCIRS)			9 663	1 438
Interest rate swaps			4 894	364
Fuel Hedge			1 152	-
<b>Financial instruments at fair value through P&amp;L</b>				
Interest rate swaps			-	1 825
FX Swaps			42	-
<b>Financial liabilities</b>			<b>15 751</b>	<b>3 626</b>
Current			1 194	-
Non-current			14 557	3 626

A new CCIRS was entered into in Q1 2020 to secure NOK 400 million of KCC04 bond loan. Unrealised negative development in the value of derivatives is due to decrease in interest rates, bunkers market and dry bulk market and a weak NOK to USD currency.

## 07 Financial items

(USD '000)	Quarter ended		Year ended
Finance income	31 Mar 2020	31 Mar 2019	31 Dec 2019
Other interest income	256	541	1 885
Fair value changes in FFA	-	189	21
Gain on foreign exchange	-	-	1 074
Other financial income	-	-	43
<b>Finance income</b>	<b>256</b>	<b>730</b>	<b>3 024</b>

(USD '000)	Quarter ended		Year ended
Finance cost	31 Mar 2020	31 Mar 2019	31 Dec 2019
Interest paid to related parties	-	202	202
Interest expenses mortgage debt	2 140	1 705	7 563
Interest expenses bond loan	824	387	2 124
Interest expenses lease liabilities	23	-	96
Amortization capitalized fees on loans	214	77	373
Other financial expenses*	665	35	86
Fair value changes interest rate swaps**	293	1 085	3 660
Loss on foreign exchange	255	-	-
<b>Finance cost</b>	<b>4 414</b>	<b>3 491</b>	<b>14 105</b>

\*Includes premium from buyback of KCC03 in February 2020.

\*\*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 0.5 million were paid to the shareholders in March 2020 (USD 0.01 per share).

During March 2020, KCC ASA purchased 3 063 own shares for a total consideration of USD 8k. Persons from the Management and the Board have also purchased shares in KCC during March 2020. Below is an updated overview of number of shares held by the Management and members of the Board.

Name	Position	Number of shares
Engbret Dahm	Chief Executive Officer	21 115 (held through E Dahm Invest AS)
Liv Hege Dyrnes	Chief Financial Officer	6 500
Morten Skedsmo	Board member	225
Lori Wheeler Næss	Board member	2 105
Magne Øvreås	Board member	Owns 8,5 % of EGD Shipholding AS which holds 8 805 128 shares
Lasse Kristoffersen	Chairperson	3 000 shares in KCC through B7 Invest AS + owns 0.7% of Rederiaksjeselskapet Torvald Klaveness which holds 25 845 950 shares through Klaveness Ship Holding AS.

## 09 Transactions with related parties

USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
G&A fee to Klaveness AS	442	671	2 238
Commercial management fee to Klaveness AS	344	519	1 628
Travel expenses and operating cost re invoiced from Klaveness AS	39	70	530
<b>Group commercial and administrative services</b>	<b>825</b>	<b>1 261</b>	<b>4 396</b>

USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Technical management fee to KSM* (reported as part of opex)	758	642	2 735
Crewing agency fee to KSM* (reported as part of opex)	265	222	953
Supervision fee to Klaveness AS (capitalised on newbuildings)	395	128	2 075
Interest cost to related parties (Klaveness Ship Holding AS)	-	202	202
<b>Total other transactions with related parties</b>	<b>1 418</b>	<b>1 195</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.

## 10 Events after the balance sheet date

Rebekka Glasser Herlofsen was elected as a new Board member in the General Meeting 27 April 2020. She will replace Stephanie S Wu.

In April, KCC Shipowning AS (a subsidiary of KCC) received credit approval from two banks for an up to USD 60 million loan facility for the financing of two CLEANBU newbuilding vessels with delivery in first half of 2021. The financing is subject to final documentation estimated to be finalized in Q2 2020. Bank debt has based on this facility been secured for all newbuilds.

In May, KCC Shipowning AS (a subsidiary of KCC) received credit approval from all lending banks amending all bank loan facility agreements whereby certain financial covenants will be relaxed or replaced and a harmonization of the minimum value clauses will be introduced. The changes are subject to guarantee from Klaveness Combination Carriers ASA.

During Q2, KCC increased tanker market coverage for the CLEANBU's with the conclusion of a 3-6 months time charters for two of the CLEANBU vessels and a 9-12 months time charter for the third CLEANBU vessel. Revenue from these contracts will be subject to ordinary tax regime, however expected tax expense for 2020 is zero due to tax losses carried forward.

The NOK 500 million senior unsecured bond loan KCC04 was listed on Oslo Børs 25 May 2020.

On 26 May, 2020 the Company's Board of Directors declared to pay a cash dividend to the Company's shareholders of USD 1.44 million.

There are no other events after the balance sheet date that have material effect on the financial statement as of 31 March 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/investor-relations/#alternative-performance-measures>

Reconciliation of EBITDA and EBITDA adjusted USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
<b>Net revenues from operations of vessels</b>	<b>22 403</b>	<b>13 326</b>	<b>61 327</b>
Operating expenses, vessels	(8 253)	(6 962)	(29 913)
Group commercial and administrative services	(825)	(1 261)	(4 396)
Salaries and social expense	(234)	-	-
Tonnage tax	(8)	(36)	(163)
Other operating and administrative expenses	(258)	(330)	(1 093)
<b>EBITDA</b>	<b>12 825</b>	<b>4 736</b>	<b>25 763</b>
Start up costs CLEANBU vessels	31	553	1 724
<b>EBITDA adjusted</b>	<b>12 856</b>	<b>5 289</b>	<b>27 487</b>
<b>EBITDA</b>	<b>12 825</b>	<b>4 736</b>	<b>25 763</b>
Depreciation	(4 354)	(2 778)	(14 070)
<b>EBIT</b>	<b>8 472</b>	<b>1 958</b>	<b>11 692</b>
Start up costs CLEANBU vessels	31	553	1 724
<b>EBIT adjusted</b>	<b>8 503</b>	<b>2 511</b>	<b>13 417</b>

Reconciliation of average revenue per onhire day (TCE earnings) USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Net revenues from operations of vessels	22 403	13 326	61 327
Offhire compensation	-	-	15
IFRS 15 adjustment*	(259)	(19)	680
Net revenue ex IFRS adjustment	22 144	13 307	62 022
Onhire days	1 083	838	3 636
<b>Average revenue per onhire days (\$/d) (TCE earnings)</b>	<b>20 441</b>	<b>15 877</b>	<b>17 060</b>

Reconciliation of opex per day USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Operating expenses, vessels	8 253	6 962	29 913
Leasing cost previously presented as opex	108	-	445
Reversal of provision	-	-	285
Start up costs CLEANBU vessels	(31)	(553)	(1 724)
Operating expenses, vessels adjusted	8 328	6 409	28 919
Operating days	1 092	890	3 897
<b>Opex per day (\$/d)</b>	<b>7 627</b>	<b>7 202</b>	<b>7 421</b>

Reconciliation of total assets to capital employed and return on capital employed (ROCE) calculation. USD'000	Quarter ended		Year ended
	31 Mar 2020	31 Mar 2019	31 Dec 2019
Total assets	486 785	363 310	459 262
Total liabilities	277 548	185 399	245 384
Total equity	209 237	177 911	213 878
Total interest-bearing debt	247 890	173 301	222 341
<b>Capital employed</b>	<b>457 127</b>	<b>351 212</b>	<b>436 219</b>
EBIT adjusted annualised	34 532	10 046	13 417
<b>ROCE adjusted</b>	<b>8 %</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.



