

ANNUAL REPORT 2022



IMPROVING
THE NATURE OF
SHIPPING

Key Figures

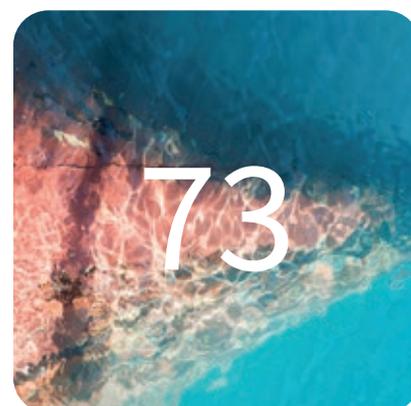
Equity



Cash and cash equivalents



Vessels under management



USD million	2022	2021	2020
Profit and loss			
Gross operating revenues ¹	511	520	309
EBITDA	116	109	45
Profit/(loss) after tax (excl. minority interests)	37	88	(6)
Profit/(loss) after tax (incl. minority interests)	65	100	-
Balance sheet			
Total assets	883	876	753
Total equity (incl. minority interests)	455	412	322
Total equity (excl. minority interests)	324	287	217
Interest-bearing debt	326	356	367
Cash and cash equivalents	188	204	99
Cash flow from investing activities			
Investments in vessels and newbuilding contracts	-16	60	-95
Equity ratios			
Equity ratios (excl. minority interests)	37 %	33 %	29 %
Equity ratios (incl. minority interests)	52 %	47 %	43 %
Employees			
Number of employees onshore ²	184	187	168
Vessels ³			
Pool vessels	30	30	30
Klaveness Chartering - chartered vessels	27	40	35
Combination carriers	16	16	14
Container vessels	0	0	8
Vessels under construction	0	0	3

¹ Income/loss from physical and financial freight

² Number of employees at year end for Oslo, Singapore, Shanghai and Manila

³ Per year-end. Vessels hired in on spot voyages are not included

Letter from the CEO

Making Seaborne Supply Chains Resilient, Decarbonized and Cost-Effective

Ernst Meyer, CEO



We live in times where global supply chains are under stress from pandemics, wars, and the under-supply of carbon efficient transportation services. Millions of people around the world are suffering from food and energy shortages, and a lack of access to the other everyday commodities we depend on. Inflated cost on necessary goods and services has become a problem and in particular for those on the bottom of the procurement power ladder. I believe at Klaveness, we have an important role to play in helping the world meet these challenges.

With this as my first letter as President and CEO of Klaveness, I am pleased to share with you that 2022 was the year when our investments in people and in establishing data-driven approaches to our operations started to pay off. Our investments in energy efficiency initiatives continued to bear fruit for the fleet and made good on our commitment to deliver the most carbon efficient deep-sea shipping solution in the world with KCC's fleet of combination carriers that rarely go empty-handed.

The year started with dry bulk freight rates at sky-high levels, returning to normal levels over the summer. For wet cargoes, the opposite happened. In February, transporting oil was almost without cost, however this changed as the rates increased by autumn. Unlike standard tonnage, throughout the year KCC have had the support of at least one strong market. In addition, since we carry so little ballast, we gain value for the fuel that we do not use when sailing empty. This makes fuel our third market – the higher the price, the better for our combination carriers.

This year, the KCC combination carrier business has done well, with the CABU and CLEANBU vessels employed at full capacity and obtaining world-class vetting and safety statistics. Through business development, new trading opportunities have been identified, such as the rapidly growing lithium industry that require large amounts of caustic soda to electrify cars and we expect the demand for this service to grow in the coming years. We are pleased to report that since its first listing, Klaveness Combination Carriers ASA has doubled its value and is on its way to becoming a part of Norwegian industrial history.

Although 2022 has been our strongest year both financially and operationally for the past 10 years, it is important that we are prepared for what lies ahead.

Klaveness Ship Management prioritizes a best-in-class safety culture that protects our people and minimizes our impact on the environment. Our commitment to safety and sustainability is reflected in our 2022 safety statistics and environmental performance. We are proud to report that our vetting and inspection results onboard our vessels have continued to improve. Throughout the year, we had no major or medium injuries to people and zero spills to the ocean. These achievements are a testament to our unwavering dedication to safety and sustainability in all our operations.

Specializing in Panamax vessels and focusing our efforts on trading strategies has worked out well for Klaveness Dry Bulk, with the business consistently achieving impressive results since 2020 despite a volatile market. During the year, we operated between 70 and 80 Panamax ships at all times – half are in the Baumarine pool that we manage together with Japanese Marubeni, and half are vessels we take in for shorter or longer periods.

Klaveness Digital continues to develop and deliver the Software as a Service (SaaS) solution CargoValue. 2022 saw an increasing number of industrial companies using the solution and annual recurring license revenues increased by approximately 50% throughout 2022. In addition, many new companies have shown strong interest, which makes us optimistic that we can further increase our customer base in 2023. Further, we were pleased to see Klaveness Digital rank 16th on Deloitte's list of the top 50 emerging software companies in Norway in 2022.

Although 2022 has been our strongest year both financially and operationally for the past 10 years, it is important that we are prepared for what lies ahead. We have invested heavily in our digitalization efforts, and this has not only given us Klaveness Digital and profitable operations in Dry Bulk, but it has also increased safety levels in our fleet.

More recently, we have invested heavily in decarbonization. Through ZeroLab by Klaveness, we are developing new opportunities and ideas to help both Klaveness' decarbonization efforts and those of our customers. Our fleet of combination carriers currently has 15% lower CO₂ emissions than in 2018 due to the efficient trading model and a number of ongoing energy efficiency initiatives in the fleet.

Together we work to make seaborne supply chains resilient, decarbonized, and cost-effective. We will continue sharing our approach and thoughts and as we move into 2023, we will continue to take our own medicine by living up to our ambition and sharing and showing the world how it can be done.

Board of Directors



Trond Harald Klaveness
Chair of the Board



Christian Rynning-Tønnesen
Board member



Jan Tellef Thorleifsson
Board member



Rebekka Glasser Herlofsen
Board member



Ernst Andre Meyer
Chief Executive Officer

Director's Report 2022



Highlights

Safety is priority number one in Klaveness. The overall safety statistics and environmental performance, as well as vetting and inspection results onboard Klaveness' vessels, continued its positive trend in 2022, with no major or medium injuries to people, and zero spills to the ocean during the year.

Klaveness' vision is to improve the nature of shipping and our strategic ambition is to make seaborne supply chains resilient, decarbonized, and cost-effective. Klaveness' industrial portfolio comprises four business areas, working both separately and collaboratively to realize this vision. Klaveness controls the world's most carbon-efficient deep-sea fleet through Klaveness Combination Carriers. The fleet is managed by Klaveness Ship Management, driving energy efficiency projects and performance, safety, and operational excellence. Klaveness Dry Bulk is a leading manager of freight exposure on behalf of vessel and cargo owners, while Klaveness Digital provides a Software-as-a-Service (SaaS) solution for seaborne supply chain management through CargoValue.

Klaveness Combination Carriers ASA (KCC) delivered a record strong financial result for 2022, demonstrating the value of flexibility and market diversification through its combination carrier concept. With vessels specialized to switch between wet and dry cargoes, the fleet reduces ballast time and thereby emissions to a minimum, while earning a premium over standard tonnage. In the first full trading year of the eight CLEANBU vessels, both these and the eight older CABU vessels saw record earnings in a very volatile year with a strong Dry Bulk market in the first half of the year and a strong tanker market in the second half. The Combination Carrier fleet also benefits from high fuel prices which remained high throughout the year. In 2022, average CO2 emissions per vessel-year were reduced by 14% compared to our

2018 baseline. Klaveness is the majority shareholder of KCC holding 53.8% of the shares.

Klaveness Dry bulk, an operator and pool manager of around 60 vessels in the Panamax, Kamsarmax and Post-Panamax segments, continued its positive development in 2022, delivering another strong annual result. Data-based research, data collection and advanced analytics continue to add value both to internal decision making and through external service offerings under the Market Maker initiative. Klaveness Digital provides SaaS solutions for resilient, decarbonized, and cost-effective supply chains for industrial companies, built on and around the CargoValue ecosystem. In 2022, the company experienced customer growth, resulting in a 41% increase in Annual Recurring Revenue (ARR) to USD 2.6 million. Klaveness Digital further solidified its position within the aluminum industry, expanded into agriculture with several new customers, and targeted other new industry verticals such as steel, power and fertilizer.

Financially, 2022 was a historically strong year for Klaveness with revenues of USD 208 million and profit after tax of USD 65 million. With an equity ratio of 52% and USD 228 million in liquid assets, Klaveness has a strong financial position. In 2022, Klaveness Finance, a holding function for financial and strategic investments, has been established to manage Klaveness' portfolio of strategic and financial investments.

After a strong start to the year, the dry bulk market weakened in 2022 compared to 2021 as fleet inefficiencies subsided and demand cooled off. Product tankers on the other hand delivered the strongest year on record driven by strong demand growth, strong refining margins and disruptions from the war on Ukraine. Although the outlook for 2023 remains uncertain in the face of a slowdown in global economic activity, there are several potential positive catalysts for the freight markets; amongst others low orderbooks limiting supply growth, stricter environmental regulations limiting speed, China reopening, and finally sanctions on Russia leading to new and longer trading patterns for oil and coal. The dry bulk market is expected to rebound in 2023, but to remain at more moderate levels than in 2021 and 2022.

The product tanker market is generally expected to continue at historically high levels in 2023, with a continued tight demand side and limited supply of new tonnage.

On a more sobering note, On February 24, Russia attacked its neighbor Ukraine, starting a bloody and tragic war in the midst of Europe. Klaveness immediately decided to cease any commercial activities with companies owned by Russian or Belarusian interests, and to exempt all Russian ports as well as the Black Sea war zone from our allowed trading areas. While Klaveness' vessels and commercial operations have not been directly affected by the cruel war waged on Ukraine, the people at Klaveness are deeply moved by the plight of the Ukrainian people and other peoples around the world suffering the consequences of this war. Klaveness has therefore decided to donate USD 2 million of the 2022 revenue to organizations addressing this situation and poverty in general.



Health, safety and security

Klaveness had no serious injuries to its people in 2022. Safety remains the highest priority for the company, and a program referred to as KLASS (Klaveness Always Safe and Secure) was established and made mandatory for all offshore personnel in 2020. Three years into the program there are improved results on all KPIs from Lost Time Incidents to vetting and inspection results. Clear and robust safety policies are in place, with high attention to the working environment and well-being of our seafarers to support mental and physical health.

Klaveness has had no serious security incidents onboard managed vessels in 2022, and no suspicious approaches or boarding attempts were reported. Security threats are continuously monitored and intelligence reports from Den Norske Krigsforsikring for Skib (DNK) are shared across the fleet. In 2022, Russia's attack on Ukraine changed the global security situation. Due to potential attacks or collateral damage, the local security risk in the Northern Black Sea is still considered to be high. Following the war outbreak, no Klaveness vessels have traded in the Black Sea and there is a corporate policy prohibiting to call any Russian ports or serving Russian or Belarus companies. In other trading areas, the kidnap and ransom threat for merchant vessels in the Gulf of Guinea continues to be significant while the security situation in the Indian Ocean is significantly improved. The security risk in the Persian Gulf/Gulf of Oman has been stable and moderate in 2022. During 2022, the risk of armed robbery in the Singapore Strait has been high with a high number of incidents of petty theft and robbery, mainly targeting smaller vessels and tugs.

Klaveness protects its IT systems through technical protection measures, mandatory training of all staff, and continuous efforts to raise awareness, including internal phishing campaigns. Klaveness subscribes to NORMA Cyber to assess cyber security threats and to ensure appropriate responses to any unwanted events. Business Impact Analyses on IT systems are in place including risk-based policies and response plans. Entering 2023 the highest cyber security threat for vessels and offices appears to be ransomware used for extortion and malware aimed at financial theft. In addition, the likelihood of Russian and Chinese cyber espionage is considered high. Disruptive cyber operations against NATO countries and Ukraine are also considered high. Klaveness has not experienced any serious cyber-attacks in 2022.



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possibility that the IMO will adopt a price on carbon that could be implemented by the end of this decade, but likely at a lower price point than what we observe in the EU. In 2022, the IMO came under a lot of criticism from the industry over the Carbon Intensity Indicator (CII), which will come into effect from 2023. Klaveness has long criticized the design of the CII since it rewards ballasting.

The regulatory developments have spurred a greater interest in emission reduction from charterers. The Sea Cargo Charter, to which KCC and Klaveness were founding signatories, grew with seven new members in 2022 and counted 34 signatories at year-end, including some of the world's largest charterers that, as signatories, are required to report on shipping emissions. The first reporting year was 2022 and demonstrated that most of the members, including Klaveness' subsidiaries KC and KCC and in total representing 15% of total bulk cargo carried by sea in 2021, are misaligned with the current IMO trajectory towards 2050. Klaveness continues to support the initiative with the view that transparency is the key to unlocking the motivation to decarbonize.

Klaveness adheres to the Hong Kong Convention and the EU Ship Recycling Regulation. No ships were sold for recycling in 2022. Klaveness is a member of the Maritime Anti-Corruption Network (MACN). MACN is a global business network working towards the vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large.

In relation to the Transparency Act which came into force 1 July 2022, Klaveness has evaluated and made some minor adjustments to its Code of Conduct and Counterparty Code of Conduct. KYC Procedures and contract clauses with counterparties and suppliers were as well amended to ensure compliance with the legislation. The Transparency Act report will be published on Klaveness' web pages at www.klaveness.com in due time before June 30, 2023.



Sustainability

Decarbonization is a vital challenge of our decade and the ones to come, it is a central pillar in the RASTK strategy. Klaveness aims to be a shaper in the transition towards low carbon shipping through its fleet, being at the forefront of new solutions and by working in close cooperation with customers, suppliers, and other stakeholders. Focus areas include emission reductions from the vessels, zero emissions from all operations by 2050, and the development of services that support customers' need to decarbonize.

In 2022 the first carbon price for shipping was agreed. As of 1 January 2024, emissions from voyages to, from, and within the EU will be included in the EU Emission Trading Scheme (EU ETS). The price per allowance, which equals a ton of CO₂, is at an all-time high at around \$100/tCO₂ per March 2023. This development has made customers more receptive to discussing decarbonization. The carbon price also offers a funding opportunity for low-carbon solutions, as a share of the proceeds will be allocated to innovation projects in shipping. Klaveness is following these developments closely. In 2023, we expect that carbon intensity requirements for fuel used on voyages to, from and within the EU will be adopted. Over time this will support demand for alternative fuels, starting with available fuels such as biofuels and LNG.

On a global level, the IMO continues to discuss how and when its climate strategy should be revised. Some progress has been made during 2022, but the decisions on new emission targets and economic incentives will, at the earliest, be made by summer 2023. It remains a



The Businesses

Klaveness Combination Carriers ASA (KCC) is listed on the Oslo Stock Exchange and owned 53.8% by Klaveness. Following the delivery of the final three CLEANBU vessels in 2021, the fleet consists of eight CABU and eight CLEANBU vessels. The CABU vessels are combination carriers that mainly transport caustic soda solution and all types of dry cargo. The CLEANBU vessels can, in addition, transport clean petroleum products, enabling a wider range of trading possibilities. The CABU fleet delivered the highest time charter earnings since 2011 on the back of high caustic soda solution (CSS) volumes, a strong dry

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bulk market in the first half of the year and high fuel prices through the year which benefits the combination carrier concept. The CLEANBU fleet continued to expand the number of customers and trades in its first year with a full fleet in operation. As a result, the CLEANBU fleet's trading efficiency improved substantially, increasing the share of days in combination trades, and reducing time in ballast. Furthermore, the strong recovery in the tanker market and historically high fuel prices supported time charter earnings for the fleet, the highest since the introduction of the vessels.

The KCC fleet experienced no major or medium injuries or accidents in 2022. The impact on crew and vessel operations from COVID-19 related restrictions eased compared to the prior two years.

KCC continued to make good headway on its decarbonization goals during 2022, although the company was not able to deliver in full on its ambitious emission reduction targets for the year. The carbon intensity (EEOI) for the fleet was down from 7.4 in 2021 to 6.9 in 2022, a reduction of 7 % from 2018 (versus a target of 25 %), and average CO₂ emissions per vessel-year were down from 18,800 mt in 2021 to 17,900 mt in 2022, a reduction of 14% from 2018 – close to the target of 15% reduction from 2018. KCC has 15 ongoing energy efficiency initiatives funded partly by USD 25 million of equity raised in November 2021. The expected full roll-out of committed initiatives is expected to result in a further approximation of 9% reduction in emissions for the overall fleet assuming 2022 transport work. KCC was allocated a grant of USD 1.4 million from ENOVA to part fund air lubrication of the hull and retrofit of shaft generator for two vessels, to be implemented in 2023.

KCC's positive trend has continued into 2023 with conclusion of several tanker contracts during Q4 2022 and early 2023 securing a strong base for 2023. The concluded caustic soda shipping contracts for 2023, including expected additional caustic soda shipments, cover the full CABU fleet's capacity in tanker mode in 2023. Approximately 75% of

booked caustic soda shipments for 2023 are fixed-rate contracts with average TCE earnings around 2.5 times the average TCE earnings for the caustic soda solution shipments in 2022. One CLEANBU vessel has been employed on a two-year time charter with a global energy company from mid-February 2023 and a three-years index-linked contract of affreightment for the transportation of clean petroleum and dry bulk products was secured in January 2023.

At year-end, KCC had 11 employees located in Oslo and Singapore.

Klaveness Ship Management (KSM) provides ship management and crewing, project implementation and R&D services as well as vessel and cargo operations to KCC as their main customer. Crewing is carried out through partly owned crewing offices in Manila and Romania, as well as through South African Maritime Training Academy (SAMTRA) in South Africa. While KMA in Manila serves only Klaveness vessels, Barklav in Romania, a joint venture with Wilhelmsen Ship Management, serves several principals.

2022 was also delivered with zero injuries, zero spills, zero navigational incidents and zero security incidents. With safety at the core of operations, numerous safety initiatives and campaigns have been rolled out to the entire fleet and the shore-based organization to improve the overall safety culture. After the successful roll-out of the KLASS (Klaveness Always Safe & Secure) program over the past two years, a substantial improvement is evident in the safety performance with a reduced Lost Time Injury Frequency (LTIF) and Total Recordable Case Frequency (TRCF) in 2022. The LTIF on the combination carriers was 0.30 in 2022 (0.61 in 2021) while the TRCF was 1.69 in 2022 (1.22 in 2021). The safety statistics for the CLEANBU fleet boast a clean record with 0 LTIF and 0 TRCF in 2022.

The performance of vessels during external inspections is key to success for KCC and the performance during 2022 has been improved





compared to previous years, with SIRE vetting average observations and high-risk ratio in 2022 of 3.9 and 0.7 respectively (2021: 4.9 and 1.9). 2022 was the first year with all CLEANBUs in operation throughout the year and a good performance from all new vessels has been instrumental in the vessels being accepted for business by various customers including oil majors.

KSM has during 2022 carried out several initiatives to onboard both on-shore and off-shore teams into Klaveness' ambitious decarbonization targets, including decarbonization training and implementation of Greener Voyage Procedures on the vessels. The company has a.o. continued to implement technologies such as Becker Mewis Ducts and Silicon hull systems and doubled the investment in in-transit hull cleaning robots.

In addition to being an operator and pool manager, Klaveness Dry Bulk aims to become a market manager and build value-driven solutions for ship owners and industrial participants to make better commercial decisions.

Extensive precautionary measures have been taken on KSM managed vessels to protect crew against COVID-19. Vessels became more vulnerable to infection cases onboard after most countries have removed restrictions and three vessels have had COVID-19 infection onboard in 2022 without severe consequences. Klaveness is committed to supporting the Neptune Declaration on Seafarer Wellbeing and Crew Change initiative. During 2022 crew changes have fortunately become easier although some challenges persist.

At year-end, Klaveness Ship Management had 29 employees located in Oslo, Singapore, and Manila.

Klaveness Dry Bulk is an operator and pool manager in the dry bulk segment and operates a fleet of around 60 vessels in the Panamax, Kamsarmax and Post-Panamax segments. The operator business consists of a portfolio of cargo contracts of affreightment, time-chartered period vessels, and freight and fuel derivatives; delivering reliable, flexible, and competitive transportation and enabling cargo owners to maximize their value chain. The pool business, through Baumarine by MaruKlav, aims to deliver service offerings that enable vessel owners to take control in optimizing their earnings while giving them greater flexibility. In addition to the delivering spot earnings based on the pool's performance, the pool offers participants the option to convert freely between spot and fixed rate at any given time, in line with forward market levels. The product allows owners to take control of their market exposure in utilizing peaks to lock-in fixed earnings at preset target levels.

In addition to being an operator and pool manager, Klaveness Dry Bulk aims to become a market manager and build value-driven solutions for ship owners and industrial participants to make better commercial decisions. The range of services includes TC-in partnerships, trade-optimizing tools, bunkers, and research services. During 2022,

Klaveness Dry Bulk experienced keen interest for several of these services and has also seen increased potential for internal use of several of the tools. Furthermore, with the establishment of GreenFreight, Dry Bulk customers are offered the option to compensate for carbon emissions with carbon insets based on biofuel. At year-end, Klaveness Dry Bulk had 40 employees located in Oslo, Singapore, Dubai, and Manila.

Klaveness Digital is a technology company offering the Software-as-a-Service (SaaS) solution CargoValue with a vision to be the preferred solution for collaboration, information sharing, and data driven decision-making for industrial receivers and shippers relying on seaborne transportation.

In 2022, Klaveness Digital achieved a 41% growth in Annual Recurring Revenue (ARR). The company also achieved a Net Retention Revenue of 125% with subscribing customers both renewing and upscaling. Klaveness Digital implemented measures to reduce costs and reorganize both the technical and commercial teams. The focus for the coming period is to increase commercial capacity to continue to grow the business.

Klaveness Digital launched several new modules to CargoValue in 2022, including the Aggregated Inventory module and the Emissions Monitoring module jointly with ZeroLab. The Emissions Monitoring module tracks greenhouse gas emissions generated by every freight shipment, using calculations based on satellite data, vessel particulars and actual behavior. This complements and corroborates on the data coming into CargoValue from vessels reporting their actual emissions.

For almost 20 years, Deloitte has been analyzing the companies on the Deloitte Technology Fast 50 list, with the focus of finding successful technology or technology enabled companies that have demonstrated high growth over time. Klaveness Digital was recognized with a rank of #16 on the Deloitte Technology Fast 50 list. This achievement is a testament to the efforts and dedication of the entire Klaveness Digital team.

At year-end, Klaveness Digital had 50 employees located in Oslo, Singapore, and Manila.

Klaveness Holding

In 2022, Klaveness developed a Holding structure with the goal of providing parent value through facilitating synergies between the business areas, supporting innovation through ZeroLab, providing a unified framework for ESG, risk management and compliance; and exercising active ownership of strategic and financial investments. Klaveness Holding also delivers shared services to the industrial portfolio including Legal, Compliance, Branding, Communications, HR, Finance, and IT services. Klaveness' subsidiary in Manila, Klaveness Shore Services Inc., counting 51 people, provides the bulk of corporate services while HQ functions are in Oslo.

The Executive Committee is tasked with implementing Klaveness' strategy, values, governance, and brand across the business areas, and exploring cocreation opportunities. In 2022, the Board approved a framework for the management of strategic and financial investments and an Investment Committee was established to effectuate this framework. A liquid financial portfolio is managed by the Investment Committee, to support future strategic investments. Together, the Executive and Investment Committees comprise the Klaveness **Executive Management Team**.

ZeroLab was established in 2021 to help Klaveness identify new business opportunities within shipping decarbonization. As part of Holding since 2022, the team has increasingly been involved in corporate strategy supporting with deal flow and due diligence on investment opportunities related to decarbonization. In 2022, the team focused on refining and commercializing an Emission Monitoring solution for cargo owners, securing several industrial

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customers. By year-end the technical and commercial responsibility for Emission Monitoring was transferred to Klaveness Digital and included in the CargoValue offering. Throughout the year ZeroLab worked closely with several of the Emission Monitoring clients to turn their data into insights with environmental and commercial benefits.

Following the strong results of 2021 and 2022, including the sale of container vessels in 2021, Klaveness Holding per year-end manages a **liquid financial portfolio** of approximately USD 100 million. 2022 will be remembered as the worst year in financial markets since the Great Financial Crisis in 2008, with negative development in both equities and fixed income. Both MSCI World and S&P 500 were down 19 % and Nasdaq was down 33 %. The highest inflation in 40 years has driven interest rates higher throughout the year, increasing the risk of recession in many parts of the world.

Klaveness started investing mid-year, thereby avoiding the severe downturn seen in the first half of the year. The capital was deployed carefully and diversified across regions, sectors, size, and manager styles. As of year-end, the total allocation to equities has increased, but is still below the strategic target allocation. We aim to achieve full allocation by spring 2023 but continue to remain cautious as markets are highly volatile.



Financial results

Gross revenue from operation of vessels was USD 511.3 million (2021: USD 519.9 million), while net revenue from operation of vessels amounted to USD 169.7 million (2021: USD 139.1 million). Revenues were positively impacted by a strong Dry Bulk market in the first half and record high Tanker market in the second half, combined with our diversification across several markets through Combination Carriers, and the ability of Dry Bulk to take advantage also of volatile markets. The combination carriers achieved average TCE earnings of \$29,764/day in 2022, up by 42% from \$20,961/day in 2021. Net revenue from the Dry Bulk portfolio of physical and financial freight agreements ended at USD 30.4 million compared to USD 38.8 million in 2021, on the back of the strong dry bulk market in the first half of 2022 and solid

execution of the trading strategies through the market downturn in the second half of the year. Revenues from Klaveness Digital amounted to USD 2.0 million, compared to USD 1.5 million in 2021. In total, Klaveness achieved total operating revenues of USD 207.8 million (2021: 212.9 million whereof USD 28.0 million was gain related to vessel sales).

EBITDA ended at USD 116.2 million (2021: USD 109.2 million). Vessel operating expenses decreased by USD 14.0 million compared to 2021 following the sale of the container fleet and one CABU vessel in 2021. Operating expenses for the CLEANBU vessels increased slightly compared to 2021 due to end of the guarantee period for the three newbuilds delivered in 2021 and costs for claimed yard guarantee repairs.

2022 EBIT amounted to USD 80.8 million compared to USD 117.0 million in 2021 (of which USD 63 million related to the Container sales). Ordinary depreciation increased by USD 2.2 million mainly due to dry docking cost being depreciated over a shorter period compared to previous years and more CLEANBU vessels in the fleet.

The net result from financial items was negative by USD 15.3 million (2021: negative USD 16.8 million), including interest expenses of USD 18.0 million (2021: USD 15.7 million) and interest income of USD 4.1 million (2021: USD 0.1 million).

The Group earned a profit before tax (EBT) of USD 65.5 million (2021: USD 100.1 million) while net income after taxes was 65.4 MUSD (2021: 100.3 MUSD).



Financial position

At year-end 2022, consolidated equity including minority interests was USD 455.6 million (2021: USD 412.3 million), corresponding to a book equity ratio of 52% (2021: 47%). Book equity excluding minority interests was USD 324.4 million (2021: USD 287.0 million). Interest-bearing debt decreased from USD 355.8 million at year-end 2021 to USD 326.4 million at year-end 2022 following the sale of the container fleet. Klaveness held cash and bank deposits of USD 188.1 million at year-end 2022 (2021: USD 203.6 million) while other liquid financial investments amounted to USD 39.7 million. Klaveness also had available revolving credit and overdraft facilities of USD 57.3 million (2021: USD 55.0 million).



Cash flow

During 2022, Klaveness had a cash flow from operating activities of USD 69.6 million (2021: USD 79.3 million). Net profit from operating activities, adjusted for all non-cash items, was USD 116.3 million (2021: 80.6 million). Cash flow was further strengthened by a decrease in prepayments to clearing of derivatives of USD 10.3 million, while



changes in current assets and liabilities contributed negatively with USD 19.8 million. An increase in liquid financial investments (equity funds and bonds) of USD 39.7 is also classified as a reduction in operating cash flow.

The net cash flow from investing activities was negative by USD 15.9 million (2021: positive USD 59.8 million), mainly consisting of costs associated with the scheduled docking of vessels and capitalized costs of CargoValue development.

The cash flow from financing activities was negative by USD 65.2 million (2021: negative USD 34.2 million) whereof the main items were dividends to owners and minority interests of USD 24.1 million and installments on mortgage debt of USD 25.6 million.



Financing

The combination carrier fleet is partly funded through interest-bearing debt of USD 319.5 million per year-end. KCC's capital commitments are fully funded, and the refinancing risk is limited over the next year. A secured bank facility falling due in March 2026 was during 2022 extended by one year to March 2027 and the margin was renegotiated with a reduction of approximately 75 bps from existing margin.

The 364 days overdraft facility was renewed in December 2022 for a 364-days period and the total amount was reduced from USD 20 million to USD 15 million.

For Dry Bulk, both AS Klaveness Chartering and Baumarine AS have overdraft facilities to cover working capital and general corporate purposes. Both facilities are renewed on a yearly basis. During 2022, the facility in AS Klaveness Chartering was increased from USD 10 million to USD 15 million while Baumarine AS' facility was increased from USD 12 million to USD 15 million.

Going concern

The accounts are reported under the assumption of a going concern. The Board of Directors considers the financial position of Klaveness at year-end 2022 to be solid and the liquidity to be satisfactory. Klaveness' current cash flow, existing and committed debt and liquidity position are considered sufficient to cover all approved commitments



Risk and risk management

Klaveness' businesses are exposed to risks in several areas. Risk assessment, monitoring and implementation of mitigating actions are a part of both daily activities and periodic reviews in each business area. It is important to the Board of Directors that the right risk/reward assessments are made, the overall risk undertaken is within acceptable ranges, and that internal control routines are robust.

Market risk in the shipping markets relates primarily to changes in freight rates, fuel prices, vessel values and counterparty credit risk. For contracts extending into 2024 and beyond, EU ETS may also entail market risk. These risks are monitored and managed according to

procedures and mandates decided by the Board of Directors.

The mandates for the chartering and trading activity within Klaveness Dry Bulk are regularly tested against extreme market scenarios to ensure a high probability that capital and liquidity are sufficient to cover potential losses. Most of the fuel price risk is hedged through bunker adjustment factor clauses (BAFs) and fuel derivatives. The dry bulk market exposure is managed by combining COAs with TC-in contracts and freight forward agreements (FFA), maintaining the total financial exposure within risk limits approved by the Board of Directors.

Klaveness is exposed to **commercial risks**, particularly on customer acceptance of the fleet of combination carriers. Klaveness makes extensive efforts to secure vetting and TMSA acceptance of existing vessels and works closely with customers to document that new vessel concepts meet all customer requirements including requirements of the ports and terminals where the vessels are trading.

Financial risks are related to market fluctuations in the equity and bond markets, exchange rates and interest rates, and liquidity in the markets. The financial liquid portfolio is exposed primarily to global equities, but also to fixed income markets. The majority of investments are highly liquid and diversified across sectors, geographies, and investment funds.

Investments in other currencies than USD are also exposed to FX risk. Further, Klaveness has administrative costs in NOK, SGD and PHP, part of the crew costs in EUR and port costs in several other currencies, while principally all income is USD-denominated. Klaveness hedges parts of the currency risk using currency forwards. Remaining FX risk is considered acceptable given Klaveness' solid liquidity. KCC is exposed to both interest and FX risk through their debt financing and uses IRS and CCIRS instruments to hedge this exposure. The liquidity risk of Klaveness is considered low. Current cash, available undrawn credit and projected operating cash flows are considered sufficient to cover Klaveness' commitments.

Operational risks in the shipping and trading activities are managed through formal and certified safety and quality management, control processes as well as training of seafarers and land-based employees. All employees attend in-house training to ensure compliance with applicable legislation and the Klaveness Code of Conduct. The organization is continuously working to learn from incidents and accidents through a formalized improvement reporting system and developing procedures and training accordingly. The vessels also sail in waters exposed to piracy and all vessels sailing through exposed areas take precautionary steps to mitigate the threat of such attacks based on advice and intelligence from Den Norske Krigsforsikring for Skib.

The amount of **information security risks** that could disrupt business operations are steadily increasing. This is mainly due to more complex digital value chains which, by nature, increase the number of

At year-end 2022, consolidated equity including minority interests was USD 455.6 million (2021: USD 412.3 million), corresponding to a book equity ratio of 52 % (2021: 47 %)

vulnerabilities. To mitigate and control these risks, Klaveness is implementing an Information Security Management System (ISMS) based on internationally recognized standards. ISMS ensures a holistic and processual approach to identification and remediation of such risks, approaching IMO Security Regulations compliance. This work will continue going forward into 2023.

Klaveness' employees are the first line of defense in preventing cyber-attacks. Throughout 2022 the company conducted a series of phishing simulations and other awareness activities. Furthermore, technical upgrades and vulnerability assessments have been carried out to safeguard IT infrastructure. Klaveness continues to subscribe to NORMA's services, providing us intelligence to adequately manage cyber threats.

Klaveness Digital manages data for multiple customers through the CargoValue application and K-Platform. The operational risk associated with cyber security is managed and documented in the Klaveness Digital Security & Risk Governance program, together with a Disaster Recovery Plan and Cyber Incident Response Plan. Contractual frameworks such as Data Processing Agreements, Terms and Conditions and Service Level Agreements are also in place for all customers of CargoValue and K-Platform.

Klaveness Digital is focused on defining new and refining existing risk control measures. The Klaveness Digital solutions are protected by one of the world's most advanced security infrastructures, powered by the Microsoft Azure Platform. The security framework and cyber security policies are based on the Center for Internet Security (CIS) and National Institute of Standards and Technology (NIST) frameworks and Klaveness Digital's practices are aligned with the best practice guidelines documented by Open Web Application Security Project (OWASP).

Environmental risks: Environmental laws and regulations often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject Klaveness to liability without regard to whether we were negligent or at fault. Additionally, Klaveness cannot predict the cost of compliance with any new environmental protection and other laws and regulations that may become effective in the future. Quality and risk management is reflected in the approach to all aspects of business activities including vessel owning, management and operations. The policy is to conduct operations with the utmost regard for the safety of employees, the public, and the environment, in accordance with sound business practice and in compliance with environmental regulations.

All Klaveness employees are obliged to conduct training on decarbonization through Klaveness Academy. This is to better help employees navigate changes in the commercial and regulatory environment, and to equip employees with more detailed extensive knowledge on decarbonization in general and what it means at Klaveness.

Klaveness is exposed to **compliance risks** through complex operations across jurisdictions globally, and the company is committed to acting

The Board of Directors considers the financial position of Klaveness at year-end 2022 to be solid and the liquidity to be satisfactory.

Klaveness' businesses are exposed to risks in several areas.

in accordance with core values, internal policies, and applicable legislation. The Board has approved a Compliance Program, last updated in November 2022, and this is implemented through the Chief Compliance Officer. Annual Compliance Surveys are carried out to identify and evaluate compliance risks. Continuous training is carried out throughout the organization, including online courses and in-person Compliance seminars. The Compliance Program includes guidelines and policies, hereunder inter alia a Code of Conduct, Guidelines on Anti-Corruption and Business Ethics, Competition Law, and Personal Data Protection. A KYC team is dedicated to both responding to, and carrying out, KYC procedures and performing risk rating and due diligence checks on counterparties. Our expectations of counterparties are defined in the Klaveness Counterparty Code of Conduct, which applies to all our contractual relationships.



People and organization

Klaveness had a total of 205 employees located in Oslo, Singapore, Dubai, and Manila at year-end 2022, representing 26 nationalities. All employees were employed in regional Klaveness offices. Women represented 42% of the workforce in all offices, and 32% in the Oslo. In 2022, 33% of the managers in Klaveness were female on a global basis. The Board is 25% female. Klaveness has 6 female seafarers, corresponding to 0.9 % of total crew, and 3 female cadets in training.

Klaveness is built on talented and dedicated employees. All employment-related decisions are based upon relevant qualifications, merit, performance, and other job-related factors. Klaveness ensures equal rights for all, irrespective of gender, gender identification, ethnicity, religion, sexual orientation, disability, or social status. Over time, Klaveness wants to achieve a higher proportion of women in the organization, both in general and in leading positions. When recruiting new employees in Klaveness, the aim is to have both genders represented in the final interviews. Salary and working conditions are linked to experience, seniority, and positions regardless of gender. Part-time jobs are not common in Klaveness.

Absence due to sick leave was satisfactory, averaging 2.80% for the Group in 2022. Working conditions for employees are good. The company holds a Directors & Officers (D&O) liability insurance.

680 seafarers are employed through manning offices in The Philippines (79%), Romania (16%) and South Africa (5%). The retention rate for 2022 was stable at 95%, indicating that Klaveness is successful in attracting and retaining qualified seafarers.

The Board of Directors expresses its appreciation of the work done by all the employees during 2022.



Market development and outlook

The **Panamax spot dry bulk market** had a strong start of the year with earnings (P5TC13) of \$24,798/day during first half 2022, weakening substantially to \$16,590/day in second half of the year. Average spot Panamax earnings averaged \$20,663/day in 2022, down from 2021 but still at very healthy levels. The global dry bulk demand growth decelerated from 3.4% in 2021 to minus 1.9% in 2022 according to Clarksons Research, while the nominal growth in the dry bulk fleet was 2.8% in 2022, down from 3.6% in 2021 with record low order books and limited ability to create a new supply wave before 2026.

Going into 2023 the dry bulk markets were at their weakest levels since 2020, normally a seasonally slow part of the year. The dry bulk market is expected to improve through 2023, but to remain at more moderate levels than seen in 2021 and 2022. Both vessel demand (ton-miles) and supply are expected to grow about 2% while the fleet inefficiencies of 2021 and 2022 have largely been resolved.

The **product tanker market** delivered its best year on record according to Clarksons Research Average Tanker Earnings Index. The 2022 average LR1 tanker earnings ended at around \$32,000/day, compared to \$10,600/day in 2021. Product tanker demand increased by 3.4% from 2021 to 2022 and demand has grown beyond pre-pandemic levels. Several factors have contributed to the strong rate environment. Firstly, the demand for refined petroleum products has normalized as COVID-19 restrictions continued to ease combined with low inventory levels, leading to strong refinery margins and utilization rates. Secondly, the disruptions of sourcing and trading caused by Russia's invasion of Ukraine have likely contributed to increased ton-mile demand and ballasting for the product tanker fleet.

The outlook for the product tanker market remains strong with historically low fleet growth and order books and solid demand growth. Clarksons expects product tanker demand to grow 9% in 2023. On the supply side the product tanker orderbook is limited with book-to-fleet ratio at around 5% and supply is expected to grow only marginally.



The parent company

Rederiaksjeselskapet Torvald Klaveness' registered business address is Drammensveien 260, 0283 Oslo, Norway. The result for the parent company was a profit after tax of USD 46.6 million for 2022 (2021: USD 28.8 million). The result after tax is proposed transferred to other equity to the amount of USD 46.6 million.

Oslo, 23 March, 2023

Trond Harald Klaveness
Chair of the Board

Christian Rynning-Tønnesen
Board member

Jan Tellef Thorleifsson
Board member

Rebekka Glasser Herlofsen
Board member

Ernst Andre Meyer
Chief Executive Officer

Rederiaksjeselskapet Torvald Klaveness – Consolidated Group

Consolidated Income Statement

For the year ended 31 December (USD '000)	Notes	2022	2021
Gross revenues from operation of vessels	Note 5	511 268	519 899
Voyage related expenses and distribution of pool result	Note 6	(341 530)	(380 775)
Net revenue from operation of vessels		169 737	139 124
Net income/(loss) from physical and financial freight agreements	Note 7	30 388	38 754
Gain on sale of vessels	Note 8	-	27 959
Subscription revenue	Note 9	2 005	1 346
Other operating revenue		5 716	3 787
Other income		-	1 954
Total operating revenues and other income		207 846	212 925
Operation of vessels	Note 6	(43 400)	(57 434)
Salaries and social expenses	Note 10, 11	(33 261)	(34 603)
Other operating and administrative expenses	Note 12	(14 947)	(11 662)
Operating expenses		(91 607)	(103 699)
Operating profit/(loss) before depreciation and impairment		116 239	109 226
Depreciation fixed assets	Note 8	(35 753)	(33 513)
Impairment/reversal of impairment fixed assets	Note 8	333	41 253
Depreciation and impairment of fixed assets		(35 419)	7 740
Operating profit/(loss)		80 820	116 967
Income/(loss) from associated companies	Note 13	14	31
Net interest income/(expenses)	Note 14	(13 940)	(15 603)
Other financial income/(loss)	Note 15	(8 894)	(3 720)
Net currency gain/(loss)		7 474	2 446
Financial income and expenses		(15 345)	(16 847)
Profit/(loss) before taxes		65 475	100 120
Taxes	Note 16	(116)	206
Profit/(loss) for the year		65 359	100 326
Attributable to:			
Majority interest		36 970	88 316
Minority interest		28 388	12 010
Profit/(loss) for the year		65 359	100 326

Consolidated Balance Sheet

As at 31 December (USD '000)	Notes	2022	2021
ASSETS			
Fixed assets			
Deferred tax asset	Note 16	6 897	6 897
Other intangible assets	Note 8	5 909	4 432
Total intangible fixed assets		12 806	11 329
Vessels	Note 8	515 071	536 192
Other tangible assets	Note 8	4 501	4 244
Total tangible fixed assets		519 572	540 436
Investments in associated companies	Note 13	100	84
Other long-term receivables		270	323
Total financial fixed assets		370	407
Total fixed assets		532 748	552 173
Current assets			
Bunkers on board vessels	Note 17	52 255	35 428
Accounts receivable	Note 18	24 777	30 921
Prepaid expenses	Note 19	22 213	29 931
Other short-term receivables	Note 20	23 473	24 051
Derivatives		211	15
Other short-term investments	Note 21	39 678	-
Cash and bank deposits	Note 22	188 066	203 609
Total current assets		350 674	323 955
Total assets		883 422	876 128

Consolidated Balance Sheet

As at 31 December (USD '000)	Notes	2022	2021
Equity and liabilities			
Equity			
Share capital (10 000 shares of NOK 5 099,82)		8 154	8 154
Other paid-in equity		49 052	49 052
Total paid-in capital		57 206	57 206
Other equity		267 168	230 117
Total equity before minority interests	Note 23	324 373	287 323
Minority interests		131 092	125 007
Total equity including minority interests	Note 23	455 464	412 329
Long-term liabilities			
Pension liabilities	Note 10	523	807
Total provisions		523	807
Mortgage debt	Note 24	156 534	250 183
Long-term bond loan	Note 25	75 836	75 319
Other long-term interest-bearing liabilities	Note 26	330	3 717
Total long-term interest-bearing liabilities		232 701	329 219
Total long-term liabilities		233 223	330 026
Current liabilities			
Accounts payable	Note 27	21 122	29 764
Accrued expenses	Note 28	25 752	26 683
Taxes payable	Note 16	309	390
Provision dividends		-	4 527
Short-term interest-bearing debt	Note 29	93 658	26 546
Derivatives		153	24
Other short-term liabilities	Note 30	53 741	45 840
Total current liabilities		194 735	133 773
Total liabilities		427 959	463 799
Total equity and liabilities		883 422	876 128

Oslo, 23 March, 2023

Trond Harald Klaveness
Chair of the Board

Christian Rynning-Tønnesen
Board member

Jan Tellef Thorleifsson
Board member

Rebekka Glasser Herlofsen
Board member

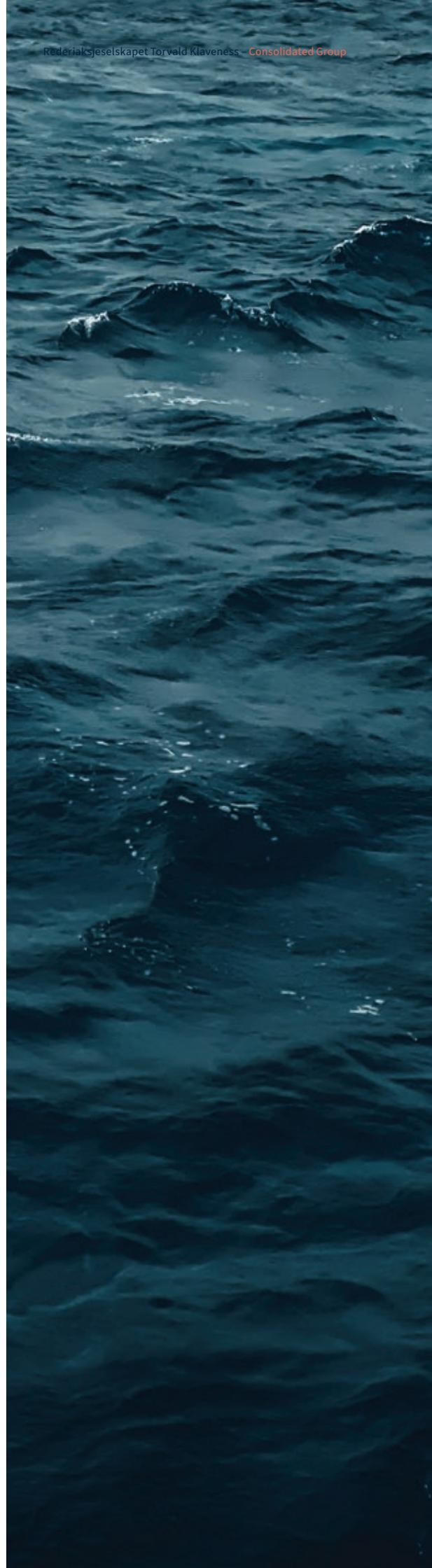
Ernst Andre Meyer
Chief Executive Officer

Consolidated Cash Flow Statement

For the year ended 31 December (USD '000)	2022	2021
Cash flow from operating activities		
Net profit / loss (-) before tax	65 475	100 120
Taxes paid	184	(390)
Depreciation, impairment and reversal of impairment	35 419	(7 740)
Gain related to modification of debt	(1 175)	-
Loss / gain (-) from realisation of vessels and other fixed assets	-	(27 959)
Loss / gain (-) from associated companies	(14)	(31)
Unrealized loss / gain (-) on financial instruments	348	426
Interest expense	16 674	14 698
Interest income	(4 078)	120
Amortization of upfront fees bank and bond loans	1 352	1 026
Other non-cash items	(66)	24
Decrease / increase(+) provision for loss	2 177	320
Decrease / increase (-) in prepayment to clearing of derivatives	10 277	(13 675)
Decrease / increase (-) in current assets	(11 081)	(27 723)
Decrease / increase (-) in financial liquid assets	(39 678)	-
Increase / decrease (-) in current liabilities	(8 765)	40 008
Change in pension liabilities	(284)	68
Interest recieved	2 884	-
Net cash flow from operating activities (1)	69 649	79 292
Cash flow from investing activities		
Investments in vessels and newbuilding contracts	-	(105 322)
Docking and other investments in vessels	(10 237)	(13 782)
Payment received from disposal vessels	-	183 788
Investments in other assets	(5 728)	(4 970)
Decrease / increase (-) in other long-term receivables	53	117
Net cash flow from investing activities (2)	(15 912)	59 831
Cash flow from financing activities		
Proceeds from mortgage debt	-	174 000
Installment repayments	(25 598)	(185 475)
Interest paid	(16 674)	(14 818)
Transaction costs on issuance of loans	(193)	(1 944)
Transactions costs capital injections in subsidiaries	-	(879)
Increased ownership in subsidiary	(2 720)	(1 195)
Capital injection from minority interest	-	11 040
Dividends to owners	(4 527)	(11 679)
Dividend to minority interests	(19 616)	(3 328)
Currency effects	47	68
Net cash flow from financing activities (3)	(69 280)	(34 210)
Net increase / decrease (-) in cash (1+2+3)	(15 543)	104 913
Cash and cash equivalents at January 1	203 609	98 696
Cash and cash equivalents at December 31	188 066	203 609
Net increase / decrease (-) in cash	(15 543)	104 913

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01 Accounting Principles

The financial statements are prepared in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles (NGAAP). The most significant accounting principles are described below.

Basis of consolidation

The consolidated financial statements include the parent company Rederiaksjeselskapet Torvald Klaveness, and all its subsidiaries. Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Controlling interest is normally gained when such company owns, directly or indirectly, more than 50 per cent of the shares in the company and/or is capable of exercising actual control over the company. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests equal the share of profit/loss and net assets in the subsidiaries held by owners external to the Group. Minority interests are presented in the income statement and in equity in the consolidated balance sheet, separately from the parent shareholders' equity.

The financial statements of all subsidiaries are prepared for the same reporting period as the parent company. Where accounting principles of subsidiaries are different from the principles of the Group, figures are restated in order to be in line with Group accounting principles. All intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transferred assets are impaired.

Discontinued operation

The Group's container vessels were sold and delivered to their new owners during 2021. Discontinued operations are presented as part of the total operating activities for the whole year 2021. The total results from discontinued operations are presented in note 34.

Business combinations and goodwill

Acquisition of subsidiaries is accounted for using the purchase method. Under the purchase method of accounting the cost of the business combination is allocated to the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the consideration transferred over the net of identifiable assets acquired and liabilities assumed. Goodwill arising from the acquisition of subsidiaries is classified as an intangible asset. Goodwill arising from the acquisition of an interest in an associated company is included under the investment in associated companies. For valuation, refer to the principle concerning the valuation of intangible assets.

For business combinations that occur in stages by successive share purchases, the fair value of the acquired entity's assets and liabilities, including goodwill, are measured on the date that control is obtained. If the value of previously held shares has increased at the control date, the increase constitutes an added value or goodwill that is booked directly in equity. If the value of previously held shares has decreased, this is accounted for as impairment. Only goodwill for the majority is recognized in the financial statements.

Classification of assets and liabilities

Current assets and short-term liabilities include items due less than one year from the balance sheet date, as well as items due more than one year from the balance sheet date, that are related to the operating cycle. Assets intended for permanent ownership or use and receivables with maturities exceeding one year from the balance sheet date are presented as fixed assets. Liabilities with maturity less than one year from the balance sheet date are classified as current. All other debt is classified as long-term debt. The first year's repayment of long-term debt is classified as current liabilities in the balance sheet.

Valuation of tangible assets and liabilities

Non-financial fixed assets are stated at historical cost, less subsequent depreciation and impairment.

Tangible assets with a limited useful life are depreciated according to a depreciation schedule based on best estimates of expected useful life and taking into account each asset's wear, tear and age. The useful life of a vessel is normally set to 25 years. Tangible assets are impaired when the carrying value of the asset exceeds the recoverable amount, and it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows. Each vessel/ newbuilding contract is considered as one identifiable cash flow, except from the CABU and CLEANBU vessels, where the whole fleet is considered one cash generating unit.

Newbuilding contracts (vessels under construction) are capitalized in line with the payments to the yard. In addition to contractual payments, inspection costs, interest expenses and other expenses during the construction period are capitalized. To the extent vessels under construction are financed through equity until delivery, interest on such funding is neither computed nor capitalized.

Current assets are valued at the lower of cost and net realizable value. Accounts receivable are related to operations and consist of trade receivables, other short-term receivables and prepayments. For valuation of receivables, see section "Receivables".

Loans are recognized at cost (the fair value of the consideration received) net of transaction costs associated with borrowing.

Accounts payable are liabilities related to operations (trade creditors, unpaid public taxes and charges, vacation pay etc.) and other short-term payables. All these items represent interest free liabilities.

In accordance with the Norwegian Accounting Act, some items are valued according to special valuation rules. A more detailed presentation of these is provided under each principle below.

Valuation of intangible assets and liabilities

Intangible assets with a limited useful life are depreciated according to a depreciation schedule which has been determined based on best estimates of expected useful life. Intangible assets are written down to the recoverable amount if it is expected that the decline in value is not temporary. The recoverable amount is defined as the higher of net sales value and value in use. The value in use is determined by reference to the discounted future net cash flows expected to be generated by the asset given that the asset is to be held by current owner under current conditions.

Estimates and assumptions

Preparation of financial statements according to generally accepted accounting principles requires management to use estimates and assumptions that affect the profit and loss account and the valuation of assets and liabilities, and requires disclosure of information about liabilities that, as of the balance sheet date, are not yet certain. Actual figures will generally differ from such estimates. Conditional losses which are likely to occur and which are quantifiable are expensed on a current basis. The Group uses estimates and assumptions in connection with the calculation of pension liabilities, the determination of accruals for contract losses and for losses on receivables, the calculation of risks related to contract fulfillment and the determination of fair market value for the purpose of assessing added values as well as impairment of assets.

Revenue recognition

The Group generates most of its revenues from shipping activities.

Gross revenues from operation of vessels comprise both gross voyage revenues from the pools operated by the Group, income from vessels owned by the Group and earnings from vessels on time charter-in contracts. Vessels owned by the Group are either operated under time charter contracts or performing contracts of affreightment. The time charter contracts are both with third parties and with pools.

Income from vessels

The Group recognizes voyage revenues and expenses on a pro rata basis over the estimated length of each voyage, discharge-to-discharge. At the time of discharge, management normally knows the next load port and expected discharge port, so that the discharge-to-discharge calculation of voyage revenues and expenses can be estimated with a reasonable degree of accuracy. For vessels without contracts in place at discharge, no revenue is recognized until a new contract is entered into. Voyage related expenses incurred for vessels in idle time are expensed. Revenues from time charters and bareboat charters accounted for as operating leases are recognized over the time when the services are performed. Demurrage and dispatch are taken into account if it is probable that a claim will occur.

Pool income

The pools in the Group generate their results by operating pool vessels in the market, as well as by conducting market operations. Market operations comprise contracts of affreightment, time charters, and forward freight agreements. Forward freight agreements are used to hedge a portion of the spot days in the pools, refer to the principle concerning hedging below.

For vessels operating in chartering pools, revenues and voyage expenses are pooled and allocated to each pool participant on a time charter equivalent basis in accordance with an agreed-upon formula, such that the net result of the pools, less service revenues, is zero. Total revenues, expenses, assets and liabilities of the pools operated by the Group are included line by line in the consolidated financial statement.

Subscription revenues

The Group generates subscription revenues in Klaveness Digital for CargoValue and Platform. Subscription revenues are recognized at the time of delivery.

Other income

Gains and losses arising from sales of tangible assets are presented as part of the operating profit or loss.

Other income is recognized when it is earned (the earned income principle).

Cost recognition

Expenses are recognised in the same period as the revenue to which they are related. Expenses that cannot be directly attributed to revenues are expensed as they are incurred. In recording projects in progress but not completed at the close of an accounting period, expenses are accrued according to the proportion incurred.

Provisions are made for unrealized losses if it is likely that such losses will occur.

Financial investments

Subsidiaries as defined above are consolidated in the Group accounts on a 100 per cent basis. Joint ventures are companies whose activities represent an integrated part of the Group's core activities, and for which the activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the Group's ownership share is between 20 per cent and 50 per cent. These investments are accounted for in the Group accounts according to the proportionate consolidation method. Associated companies are defined as entities in which the Group has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 per cent of the voting rights in the entity. Investments in associated companies are recognized in the Group accounts according to the equity method. Other long-term investments are stated according to the cost method. Short term investments are valued at the lower of cost or fair market value.

In the parent company accounts, all long-term investments are stated according to the cost method, while short-term investments are valued at the lower of cost or fair market value.

Investments in financial current assets

Financial current assets, listed shares and bonds included in a trading portfolio and traded on a regular basis, are recorded at market value. Short-term liquid investments defined as cash equivalents are financial instruments that can be converted at any time into a known amount of cash and have a maximum maturity of three months.

Periodic maintenance

The cost of periodic maintenance and docking of vessels is capitalized and depreciated over the period until the next docking, normally 30 months. Correspondingly, a part of the cost price of vessels acquired is separated for depreciation purposes and capitalized as docking. Expenses for current maintenance are charged to operating profit or loss whenever such maintenance takes place. Depreciations of docking are included in ordinary depreciations; and docking is classified along with the relevant vessel in the balance sheet.

Leasing agreements

Leasing agreements are classified as operating leases or financial leases according to the terms of the agreement.

A leasing agreement is classified as an operating lease when the lessor has most of the economic benefits and risks associated with the underlying asset. Operating leases are expensed on a straight-line basis over the leasing period.

Leasing agreements are classified as financial leases when the main share of the economic benefits and risks associated with the underlying asset is with the lessee. The Group does not have any financial leasing agreements.

Derivatives

The Group uses a set of financial instruments (such as forward freight agreements, fuel swaps, foreign currency contracts and interest rate derivatives contracts) either to manage financial risks (hedging or non-hedging) or within given mandates to maximize profit (non-hedging). The purpose of the derivatives determines which accounting principle is applied.

Hedging

A hedging instrument is an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of an underlying object (asset/liability). Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the hedging instrument are recognized immediately in the profit and loss account.

Non-hedging

Foreign currency contracts not considered as hedging are measured at fair market value. All other derivatives entered into for non-hedging purposes are recorded at the lower of historical cost or fair market value.

Physical and financial freight contracts

Physical and financial freight contracts entered into for the purpose of achieving gains through short-term fluctuations in market rates are managed and valued as a single portfolio. The portfolio is valued at the lower of acquisition cost and fair market value. Both physical and financial freight contracts are valued against the forward curves as of 31 December. The fair market value of these contracts also includes estimated future losses due to counterparty risk. Loss provisions are made to the extent that the fair market value of the portfolio is negative. Any positive value exceeding acquisition cost is not recognized. Fuel swaps in the trading portfolio are recognized separately at fair value.

Income tax (for companies within the Norwegian tonnage tax system) Operating profits related to shipping activities accepted within the Norwegian tonnage tax system are subject to tax exemption. Income tax is paid on net financial income. In addition, the Group pays tonnage tax based on net tonnage of vessels. This tax is classified as a vessel operating expense in the profit and loss account.

Income tax (for companies under ordinary taxation rules)

Tax expenses in the profit and loss account comprise the sum of tax payable for the year and changes in deferred tax assets and liabilities. Deferred tax assets and liabilities are calculated at 22 per cent on the basis of existing temporary differences between accounting profit and taxable profit together with tax deductible deficits at year-end. Temporary differences, both positive and negative, are balanced out within the same period. Deferred tax assets are recognized in the balance sheet only to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the entity.

Foreign currency

The presentation currency for the Group is US dollar (USD). The majority of the Group companies, including the parent company, have USD as their functional currency. Each entity in the Group determines its own functional currency in accordance with NGAAP and items included in the financial statements of each entity are measured using that functional currency.

Transactions in currencies other than the functional currency are translated into functional currency using the exchange rate in effect on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into functional currency using the exchange rate in effect on the balance sheet date. Exchange differences arising from translations into functional currency are recorded in the income statement. Non-monetary assets and liabilities measured at historical cost in foreign currency are translated into the functional currency using the historical exchange rate. Non-monetary assets and liabilities recognized at fair value are translated using the exchange rate on the date of the determination of the fair value.

Where the functional currency of consolidated entities differs from the functional currency of the Group, income statements are translated into USD using the average exchange rate for the year. Exchange differences arising on the translation are recognized directly in equity. On disposal of foreign operations, the accumulated exchange gain/loss recognized in equity relating to that particular foreign operation is recognized in the income statement.

Income and expenses in NOK are converted at the rate of exchange on the transaction date. The average exchange rate was 9.6197 in 2022 (2021: 8.5973). At year-end 2022, an exchange rate of 9.9066 (2021: 8.8363) was used for the valuation of balance sheet items.

Receivables

Short-term trade receivables are recorded at their nominal value less provisions for bad/doubtful debt, as an approximation of their fair value. The Group regularly reviews its accounts receivable, estimates the amount of unrecoverable receivables each period and establishes an allowance for unrecoverable amounts. The amount of the allowance is based on the age of unpaid amounts, information about the current financial strength of customers, and other relevant information.

Provisions for losses on receivables more than 90 days past due are recorded at 50 percent of their nominal value. The 50 percent rate has been arrived at based on experience. Further, provisions are recorded for major unpaid receivables (defined as receivables in excess of USD 100,000) based on individual assessments.

Bunker inventories

Inventories, which consist primarily of bunker fuel and lubrication oil, are stated at cost. Cost is determined on a first-in, first-out (FIFO) basis. Bunkers is recognized in the balance sheet when the Group has legal ownership of the stock. On short term time charter contracts, ownership remains with the vessel owner when vessels are hired in. Instead of transferring ownership of the bunkers, the vessels are to be returned to the owner at the end of the contract period with the same amount of bunkers onboard.

For time charter-in vessels that are hired out on time charter-out contracts, bunkers onboard the vessel at the time of hiring out is recognized as bunkers (if legal ownership is established), although some of this may have been consumed at the balance sheet date. Torvald Klaveness has legal ownership of the bunkers onboard vessels in the pools.

Bunkers are considered to be materials used for execution of voyages. These are not written down below cost if the voyage result where the bunkers are consumed is positive. However, when a decline in the price of bunker stock indicates that the voyage result turns negative, the bunker stock is written down to net realizable value.

Related parties

Transactions with related parties are conducted at arm's length on market terms. Related parties are defined to include the Group's top management, the Board of directors and stockholders of Rederiaksjeselskapet Torvald Klaveness, as well as the ultimate owners of the Group and any other companies that the ultimate owners control.

Provisions for contingent liabilities

A contingent liability is recognized once the Group has a legal or actual financial liability that is likely to be paid at a future date and the amount of the liability can be reliably estimated. Restructuring costs are recognized once the decision to implement such measures has been made and announced. The amount of the provision is the estimated expense of the restructuring. Estimated expense is valued at discounted expected future cash flows. Expected future cash flows are discounted by a pre-tax risk-free interest rate, with the addition of a risk premium to reflect any uncertainty associated with the allocation.

Pensions

All current employees in the Group have a defined contribution plan. In addition, one person hold a defined benefit plan. All the pension plans in the Group are in compliance with local laws and regulations.

A defined contribution plan is one under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Individual agreements between the Group and the employee, resulting in an early retirement scheme, is treated in the financial statements as a contribution based pension scheme in which the total premium payments for the period up to the age of 67 are recognized as a pensions cost at the time of signing the contract.

Currency gain/loss related to net pension assets is presented as part of the pension costs.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments with original maturities of three months or less.

Events after the balance sheet date

The values of assets and liabilities that are recorded in the balance sheet may be based on assumptions and uncertainties. Events that occur after the balance sheet date and that result in new information that leads to a reassessment of an item of asset or liability, are accounted for accordingly. Examples of such events after the close of the balance sheet date are legal decisions, payments and settlements received from customers, final determination of bonuses and other performance-dependent remuneration.

02 Subsidiaries, Joint Ventures and Associated Companies

Torvald Klaveness comprises several subsidiaries, joint ventures and associated companies.

Subsidiaries are all entities in which a parent company directly or indirectly has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition. Where accounting principles of subsidiaries are different from the principles of the Group, figures are restated in line with Group accounting principles.

Joint ventures are companies whose activities represent an integrated part of the Group's core activities, and whose activities are regulated by contractual agreements between two or more participants that have joint control of the activities, and in which the Group's ownership share is between 20 % and 50 %. Joint ventures are recognized according to the proportionate consolidation method.

Associated companies are entities in which Torvald Klaveness has significant influence, but that are not subsidiaries or joint ventures. Significant influence usually means a shareholding or ownership interest of at least 20 % of the voting rights in the entity. Investments in associated companies are recognized according to the equity method.

Unless otherwise stated, the companies are located in Oslo, Norway.

Subsidiaries:

Company name	Ownership interest per 31 Dec, 2022	Ownership interest per 31 Dec, 2021
Klaveness Asia Pte Ltd. (Singapore)	100 %	100 %
Baumarine AS	100 %	100 %
Bulkhandling Handymax AS ¹⁾	0%	100 %
Klaveness Cement Logistics AB (Sverige)	100 %	100 %
Klaveness Container AS ²⁾	100 %	96.5 %
Klaveness Combination Carriers ASA	53.8 %	53.8 %
KCC KBA AS ³⁾	0.0 %	53.8 %
KCC Chartering AS	53.8 %	53.8 %
KCC Shipowning AS	53.8 %	53.8 %
Cargo Intelligence AS	95.3 %	95.3 %
AS Klaveness Chartering	100 %	100 %
Klaveness Shipping (Shanghai) Co. Ltd. (Shanghai)	100 %	100 %
Klaveness Shore Services Inc. (Manila, Philippines)	100 %	100 %
Klaveness Ship Management AS	100 %	100 %
Klaveness Finans AS	100 %	100 %
Klaveness Digital AS	95.3 %	95.3 %
Klaveness Dry Bulk AS	100 %	100.0 %
Klaveness AS	100 %	100 %
Klaveness Brasil Representacao de Servicos Maritimos LTDA (Rio de Janeiro, Brazil)	100 %	100 %
Klaveness Maritime Services AS ⁴⁾	100 %	0%

Joint Ventures:

Company name	Ownership interest per 31 Dec, 2022	Ownership interest per 31 Dec, 2021
Barklav (Hong Kong) Ltd.	50 %	50 %
Maruklav Management Inc	50 %	50 %

Associated company:

Company name	Ownership interest per 31 Dec, 2022	Ownership interest per 31 Dec, 2021
Klaveness Maritime Agency Inc.	24.96 %	24.96 %

¹⁾ Liquidated in December 2022.

²⁾ Acquired the remaining shares from THK Equity AS in 2022.

³⁾ Merged with Klaveness Combination Carriers ASA in 2022.

⁴⁾ Established in 2022 as a fully owned subsidiary.

03 Major and Subsequent Events

2023: Subsequent Events

There are no events after the balance sheet date that have material effect on the financial statement as of 31 December 2022.

2022: Major events

Charity provision

Rederiaksjeselskapet Torvald Klaveness has committed to donate USD 1.6 million to the Norwegian Red Cross and the Norwegian Refugee Council for humanitarian aid in Ukraine and its neighboring countries, as well as in Somalia where a desperate situation has been aggravated by the war. In addition, USD 0.35 million has been donated to Kirkens Bymisjon to support mainly young people in need in Norway. This is booked as other operating expenses in the P&L and as a provision in the balance sheet.

Change in estimates for useful life of dry docking

Based on an updated dry docking schedule, the vessels are scheduled for dry docking with a limited scope during each intermediate survey, first time approximately 2.5 years after delivery. Docking depreciation has previously been based on docking every five years during the first ten years of operation. The change was effective from 1 August 2022 and impacted 2022 depreciation with approximately USD 2.6 million. This is estimated to increase depreciation by approximately USD 2.0 million from 2023 and onwards.

Investment portfolio

The Group has established an investment portfolio during the year. The portfolio consists of approximately USD 100 million, whereof USD 40 million is invested in stocks and bonds (Note 21). The portfolio is available for strategic investments.

2021: Major events

Newbuildings

In 2021, three newbuilt CLEANBU vessels were delivered from yard Jiangsu New Yangzi Shipyard in China. MV Baiacu was delivered in January 2021, MV Bass was delivered in March and MV Balzani was delivered in May 2021.

Sale of the container fleet

The container charter market continued to significantly improve in 2021 and all eight container vessels were sold during 2021. This has resulted in a gain of USD 21.5 million and reversal of previous impairments of USD 41.2 million for the Group.

Sale of MV Banasol

MV Banasol was sold in December 2021 and gain of USD 6.4 million has been recognised in 2021.

Norsk Krigsskadeerstatning

The Group received distribution of USD 1.9 million from "Norsk Krigsskadeerstatning". This is recognized as "other income" in 2021. Q4, resulting in a reversal of previous impairments of USD 1.5 million. Total impairment for the year was USD 1.0 million.

04 Operational and Financial Risks

Torvald Klaveness operates globally and in a capital intensive industry subject to strong business cycles and volatility in underlying markets. The Group is exposed to both operational and financial risks.

Operational risks

Operational risks are related to the operation of vessels under the management of Klaveness Ship Management AS, to the execution of cargo contracts and time charter contracts in AS Klaveness Chartering, and to the management of a spot pool. Vessel management is governed by quality procedures that reflect the requirements of IMO, flag states and port states. Quality and safety audits are performed at regular intervals and significant effort is put into the training of seafarers to comply with the standards.

Operational risk is managed through insurances, procedures and systematic training of seafarers and land based employees to manage risks such as piracy, health and safety, environmental risks, off-hire and accidents. All vessels sailing through piracy exposed areas take necessary steps to mitigate the threat. The vessels are insured for loss of hire, protection and indemnity (P&I), and complete loss (hull and machinery).

The chartering and trading, combination carriers and pool management activities are governed by well-defined and board-approved mandates, management procedures and reporting requirements.

Financial risks

Financial risks may be divided into market-, counterparty-, interest rate-, currency- and liquidity risks.

Market risk

Shipping market risks are generated by several activities in Torvald Klaveness. Ownership of vessels involves risks related to vessel values, vessel employment, freight rates and costs. These risks are to some extent managed through contracts of affreightment and forward freight agreements (FFA) covering part of the Group's future fleet capacity for the nearby year and covering part of the exposure for the next 1-2 years. The contract portfolio covers a part of the vessel capacity for the nearest 12 months for the business areas. The trading of physical and financial freight contracts, which includes COAs, TCs and FFAs, conducted by AS Klaveness Chartering, involves risks related to movements in the overall market price levels and market movements between sub-markets, e.g. geographical areas. These risks are monitored continuously and managed according to scenario-based mandates and kept within market- and liquidity risk limits decided by the board.

Credit and counterparty risk

Counterparty risk is generated by service deliveries to customers and through freight and charter agreements, as well as by investments in vessels employed on time charter contracts to other ship owners. All counterparties are credit rated and corresponding exposure limits are defined and monitored per counterparty. Provisions against expected future losses are made. Full provisions are made against counterparties that default on their payment obligations. A provision for losses on other outstanding amounts is made based on age and individual evaluations of each item.

FFAs and bunker oil hedges are entered into with clearing providers and investment grade OTC counterparts. Further, Torvald Klaveness is exposed to credit risk through its deposits. Deposits are made with financial institutions/banks that have an official public rating of A or higher.

Foreign exchange risk

Torvald Klaveness' functional currency is USD. Some of the cash, bank deposits, bond debt and debt to related parties are denominated in NOK. Currency risk and interest rate risk exposure related to the bond issued in NOK is offset by two cross currency interest rate swaps (note 25). Torvald Klaveness' income is mainly in USD, while some costs also are in NOK, EUR, CNY, AUD, PHP and SGD. At year-end 2022, the Group had a currency forward portfolio of NOK 192 million. The currency forward contracts were entered into based on board mandates. NOK 160 million of the contracts mature in 2023 and the remaining NOK 32 million mature in 2024. The transactions had a negative result effect of USD 0.7 million in 2022, including change in MtM. Both open positions related to NOK costs, balance sheet positions in NOK and the currency futures are exposed to USD/NOK movements.

04 Operational and Financial Risks

The financial assets and liabilities have the following currency distribution:

Financial liquid assets nominated in USD:	USD 157 million
Financial liquid assets nominated in other currencies:	USD 31 million
Interest-bearing debt in USD:	USD 249 million
Interest-bearing debt in other currencies:	USD 0 million
Bond loan (denominated in NOK):	USD 76 million

Interest rate risk

Interest rate risk is related to interest-bearing investments and borrowings. Torvald Klaveness to some extent manages these positions on a net basis and positions have been taken in KCC Shipowning AS and Klaveness Combination Carriers ASA to reduce the exposure. To mitigate interest rate exposure, the Group has 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 changed its treatment of its IRS instruments, which are now defined as a portfolio aiming to hedge the underlying portfolio of interest-bearing debt in line with the Group's finance policy. At year-end 2022, approximately 60 % of the floating interest bearing debt was fixed through interest rate swap agreements.

The total mark-to-market value of interest rate swaps and cross-currency interest rate swaps was USD 10 million per 31 December 2022, largely due to USD/NOK effects.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to fulfil its liabilities when they fall due. Torvald Klaveness holds its excess liquidity reserves mainly in bank deposits, time deposits and from time to time in liquid money market funds. The time horizon of these deposits depends on the underlying forecasted need for liquidity in the Group. The liquidity risk is considered to be limited. Deposits are executed with banks with public rating of A or higher. Torvald Klaveness has a diversified external funding base consisting of Nordic banks, bond financing and access to capital markets for the listed company Klaveness Combination Carriers ASA.

Climate-related risks

Includes both transition risks and physical risks with focus on transition risks, as this is considered to have a larger impact and probability for KCC ASA. The risk mainly relates to effect of reduced demand for the Group's services and the risk of stranded assets and new regulations as the fleet moves to low-carbon fuel.

Compliance risk

The legal and regulatory requirements of the Group are increasingly challenging and complex. The Group has established systems and processes to ensure that all relevant laws and regulations are met, such as tax-laws, anti-corruption laws, securities laws, anti-trust laws, laws related to human rights and working conditions and international sanctions.

Financial liquid portfolio

The financial liquid portfolio is exposed primarily to global equities, but also to fixed income markets. The majority of investments are highly liquid and diversified across sectors, geographies and investment funds.

05 Revenue From Vessels

Torvald Klaveness operates in an international market where the various geographical areas are connected. The fleet has the flexibility to operate in all markets and are employed in a comprehensive pattern both within and between the regions in order to optimise income. Consequently, Torvald Klaveness' operating shipping activities are not attributed to specific geographical markets.

Gross revenue from vessels (USD '000)	2022	2021
Pools:		
Panamax	248 829	301 726
Total	248 829	301 726
Own vessels:		
Combination carriers	262 540	197 148
Container vessels	-	21 026
Other	(101)	-
Total	262 439	218 174
Total gross revenue from vessels:	511 268	519 899

06 Voyage Related Expenses and Operation of Vessels

(USD '000)	2022	2021
Pools:		
Panamax	(244 959)	(298 712)
Supramax	-	(63)
Total expenses pools	(244 959)	(298 775)
Own vessels:		
Combination carriers	(139 602)	(126 524)
Container vessels	-	(12 911)
Other	(369)	-
Total expenses own vessels	(139 971)	(139 435)
Total voyage related expenses and operation of vessels	(384 930)	(438 210)
Voyage related expenses (including distribution of pool result)	(341 530)	(380 775)
Operation of vessels	(43 400)	(57 434)
Total voyage related expenses and operation of vessels	(384 930)	(438 210)

All operating expenses of pool vessels are voyage related. Expenses include distribution of net result to the pool participants, but exclude pool management fee paid to the Klaveness pool managing company.

Combination carriers are operated in a chartering company owned by Klaveness Combination Carriers ASA. Expenses include voyage related expenses and non-voyage related vessel operating expenses.

The container vessels were sold in 2021.

07 Physical and Financial Freight Agreements

The Group through its subsidiary AS Klaveness Chartering takes positions in physical and financial freight contracts including time charter agreements, forward freight agreements, contracts of affreightment and options. The positions in physical and financial freight agreements are managed as one portfolio. The portfolio is managed within a given trading mandate regulating market- and liquidity risks with maximum exposure limits. Limits and exposures are supervised on a daily basis. The derivative portfolio mainly consists of cleared forward freight agreements, some over-the-counter agreements with investment grade institutions and negligible positions with non-investment grade counterparts. All physical and financial contract counterparties are rated in-house and given a designated credit exposure limit.

The portfolio of contracts is managed through defined mandates and risk measures and is therefore treated as a portfolio for accounting purposes. As a consequence of the accounting principles followed, a negative future portfolio value requires a provision, whereas a positive future portfolio value will only be recognized in the accounts in future years, as it is realized.

The mark-to-market value of the portfolio of contracts related to the Panamax and Financial Trading segments per end of December 2022 and forward was USD 9.1 million (2021: USD 12.5 million), assuming no credit risk. This is based on a valuation of each separate contract's cash flow relative to the forward market in the relevant contract period, which is aggregated and discounted using the USD swap interest curve. The net mark-to-market value of the portfolio, after deducting the statistically estimated counterparty losses, was positive by USD 8.3 million (2021: USD 11.0 million).

(USD '000) Result from physical and financial freight agreements	2022	2021
Result from physical and financial freight agreements	30 388	38 754
Net result from physical and financial freight agreements	30 388	38 754

AS Klaveness Chartering has 4 ship-years of time charter-in contracts with maturity below 1 year, and 0 ship-years of time charter-in contracts with maturity between 1 and 2 years. The average daily lease rate was USD 13 612. In addition the subsidiary have 2 ship years with index based lease rate.

The initial margin equals the guarantee obligation AS Klaveness Chartering has to the clearing houses for the trade of cleared Forward Freight Agreements (FFA's). The deposits vary daily according to the forward market. SEB is the subsidiaries Clearing Agent and has provided a USD 5 million facility for clearing purposes (initial and variation margins). The initial margin equals the guarantee obligation the subsidiary has to the clearing houses for freight and oil derivatives. Per year-end 2022, AS Klaveness Chartering had not drawn on the facility as deposit for initial margins, while the variation margin, which is collateral transferred between the parties due to market variations, were USD 0.8 million. The initial margins are not recognized in the balance sheet.

08 Tangible And Intangible Fixed Assets

2022 (USD '000)	Combination Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2022 - vessels/other assets	717 933	-	21 619	739 552
Cost 1 January 2022 - docking	39 107	-	-	39 107
Delivery of newbuildings/adjustment of aquisition value				
Adjustment of capitalised cost	(496)	-	-	(496)
Additions	10 237	-	1 068	11 305
Disposals	(2 472)	-	-	(2 472)
Cost 31 December 2022 - vessels/other assets	714 965	-	22 687	737 652
Cost 31 December 2022 - docking	49 344	-	-	49 344
Accumulated depreciation 31 December 2022	(251 710)	-	(17 758)	(269 468)
Disposal of vessel	(2 472)	-	-	(2 472)
Accumulated impairment 31 December 2022	-	-	(761)	(761)
Net book value 31 December 2022 - vessels/other assets	473 960	-	4 168	478 128
Net book value 31 December 2022 - docking	41 111	-	-	41 111
Net book value 31 December 2022 - total	515 071	-	4 501	519 571
Depreciation for the year, 2022 - vessels/other assets	(22 796)	-	(1 540)	(24 336)
Depreciation for the year, 2022 - docking	(8 233)	-	-	(8 233)
Total depreciation 2022	(31 029)	-	(1 540)	(32 569)
Impairment/impairment reversal for the year, 2022	-	-	333	333
Number of vessels by the end of 2022	16	-	-	16
Average useful life vessel	25	-	-	-
Average useful life dry-docking	2-3	-	-	-

2021 (USD '000)	Combination Carriers	Container Vessels	Other assets	Total fixed assets
Cost 1 January 2021 - vessels/other assets	571 033	270 699	19 809	861 541
Cost 1 January 2021 - docking	25 325	17 009	-	42 334
Delivery of newbuildings/adjustment of aquisition value	153 763	-	-	153 763
Adjustment of capitalised cost	-	-	-	-
Additions	13 782	-	1 810	15 592
Disposals	(6 863)	(287 707)	-	(294 570)
Cost 31 December 2021 - vessels/other assets	717 933	-	21 619	739 552
Cost 31 December 2021 - docking	39 107	-	-	39 107
Accumulated depreciation 31 December 2021	(220 681)	-	(16 218)	(236 899)
Accumulated impairment 31 December 2021	-	-	(761)	(761)
Net book value 31 December 2021 - vessels/other assets	524 137	-	4 640	528 777
Net book value 31 December 2021 - docking	11 659	-	-	11 659
Net book value 31 December 2021 - total	535 796	-	4 640	540 436
Depreciation for the year, 2021 - vessels/other assets	(21 475)	(1 249)	(1 403)	(24 127)
Depreciation for the year, 2021 - docking	(6 609)	(742)	-	(7 350)
Total depreciation 2021	(28 083)	(1 990)	(1 403)	(31 477)
Impairment/impairment reversal for the year, 2021	-	41 253	-	41 253
Number of vessels by the end of 2020	16	-	-	16
Average useful life	25	-	-	-
Average remaining useful life	3-5	-	-	-

08 Tangible And Intangible Fixed Assets

Torvald Klaveness' insurance arrangements are organised through external insurance companies. The financial impact of a total loss of a vessel will not be material to Torvald Klaveness.

Depreciation of vessels is recorded on a straight-line basis over the estimated economic lifetime of each individual asset. The depreciation period for vessels is normally 25 years.

Pledged vessels

All owned vessels except MV Bangor and MV Barcarena are pledged to secure the various debt facilities.

Additions

Three CABU vessels and one CLEANBU vessel have completed scheduled dry-docking in 2022 with total cost of USD 5.6 million. Technical upgrade of USD 4.0 million is related to general improvement of the technical performance of the vessels and energy efficiency initiatives, deducted by grants from ENOVA of in total USD 0.3 million recognised as per year end 2022. KCC has secured in total approximately USD 1.4 million in grants from ENOVA to finance investment in energy saving solutions for one CABU vessel and one CLEANBU vessel.

During 2022, KCC has purchased previously leased satellite equipment on board the vessels of a value of USD 0.6 million. The equipment has been capitalized as vessel depreciated over the same period as each vessel's dry-dock component.

Disposals

All container vessels were sold and delivered during 2021.

MV Banasol was sold and delivered to new owner in December 2021 and gain of USD 6.4 million has been recognised in 2021. Gain is calculated as sales price less book value of the vessel at time of sale less any direct costs of sale.

Impairment assessment

The Group has evaluated whether there are any indicators of impairment present for the Group's vessels.

Identification of impairment indicators is based on an assessment of development in market rates (dry bulk, MR tanker, LR1 tanker and fuel), TCE earnings for the fleet, vessel opex, operating profit, technological development, change in regulations, interest rates and discount rate. The rise in interest rates increases the discount rate used in calculation of recoverable amount. As previous sensitivity analysis of recoverable amount shows that the decrease in recoverable amount is unlikely to result in a material impairment loss, as per IAS 36.16, this has not been considered an impairment indicator. Expected future TCE earnings for both fleets of CABUs and CLEANBUs, diversified market exposure, development in secondhand prices and the combination carriers' trading flexibility support the conclusion of no impairment indicators identified as per 31 December 2022.

The below summarizes the total impairment cost/reversal:

Impairment loss (-)/reversal	2022	2021
Impairment (-)/reversal of impairment of vessels	333	41 253
Total impairment (-) / reversal of impairment	333	41 253

Intangible assets relates to Cargo Intelligence AS

(USD '000)	Intangible assets at 31.12.2022	Intangible assets at 31.12.2021
Acquistition cost as of 1 January	7 985	4 825
Accumulated deprectation as of 1 January	(3 553)	(1 518)
Book value as of 1 January	4 432	3 308
Additions	4 660	3 160
Amortisation/depreciation for the year	(3 183)	(2 036)
Book value as of 31 December	5 909	4 432
Accumulated aquisition cost as of December 31	12 646	7 985
Accumulated amortisation/depreciation as of December 31	(6 737)	(3 553)
Depreciation plan	Straight line	Straight line
Economic life	3 years	3 years

09 Subscription Revenue

(USD '000) Subscription revenue	2022	2021
CargoValue revenue and other digital subscription services	2 005	1 346
Total subscription revenue	2 005	1 346

10 Pension Cost, Pension Plan Assets and Pension Liabilities

All employees in Torvald Klaveness have a defined contribution plan. This plan currently consists of annual savings of 5% of salaries between 0 and 12G plus 15 % of salaries between 7.1G and 12G. 1G is currently defined to NOK 111.477. The annual pension payable depends on the size of the contributions, the number of contributions paid and the return during the savings and pension-payment period. The employee may start taking his/her pension from the age of 62, given that it is paid out over a minimum of 10 years and at least until the age of 77. The responsibility for managing the individual pension account, within the insurance company's prevailing selection of funds, lies with the employee. As of December 31, 2022 the defined pension plan included 128 (2021: 103) employees. All payments to the defined contribution plan are expensed as they are paid-in.

In addition to the defined contribution plan, the Group also has one defined benefit plan. These plans relate to one employee who hold the plan in addition to the defined contribution plan. The estimated pension liability in the balance sheet is exclusive of one unsecured contract and the pension liability recognized in the balance sheet amounts to USD 0.5 million.

The contract gives the holder the option to leave the Group at the age of 64; and the Group the option to give the holder a leave at the age of 62.

11 Salaries, Social Expenses and Remuneration

(USD '000) Salaries and social expenses	2022	2021
Wages	(27 916)	(30 066)
Benefits and insurance	(441)	(582)
Employer's social security contributions	(2 621)	(1 740)
Net pension cost	(1 162)	(1 339)
Welfare expenses	(1 122)	(876)
Total salaries and social expenses	(33 261)	(34 603)
Average number of man-years (on-shore Oslo)	97	106
Average number of man-years (on-shore abroad)	87	81
Average number of man-years (on-shore Oslo, discontinued operations)		

Crew for the Torvald Klaveness fleet is hired through manning offices in Manila, Constanta and Cape Town. The Group has on hire approximately 700-800 seafarers (variations through the year). Salaries to crew on the vessels are presented as part of operation of vessels and voyage related expenses.

Remuneration to management	2022	2021
Remuneration to the Board of Directors	(227)	(235)
Remuneration to the Chief Executive Officer (2022: only from 1.1-31.3)	(261)	(681)
Remuneration to the Chief Executive Officer from 1.4-31.12.2022	(277)	-

¹⁾ incl. salaries and pension cost

12 Other Operating and Administrative Expenses

USD '000	2022	2021
Administrative expenses	(8 053)	(6 717)
Outsourcing, consultancy and legal fees	(4 532)	(4 468)
Audit fee ¹⁾	(303)	(392)
Other services from auditor ¹⁾	(91)	(84)
Charity provision	(1 968)	-
Total other operating expenses	(14 947)	(11 662)

¹⁾ Excluding VAT

13 Associated Companies and Join Ventures

Associated companies (USD '000) Company	Acquisition	Ownership (direct + indirect)	Acquisition cost	Share of result 2022	Book value per 31 Dec 2022	Share of result 2021	Book value per 31 Dec 2021
Klaveness Maritime Agency Inc.	2011	24.96 %	25	14	100	31	84
Total associated companies			25	14	100	31	84

Associated companies

Investments in associated companies are recognized according to the equity method. Acquisition cost refers to the cost of the investment adjusted for accumulated payments to/from the company. Book value equals the Group's share of book equity in the company.

Klaveness Maritime Agency Inc. is located in the Philippines.

Joint ventures (USD '000) Company	Acquisition	Ownership (direct + indirect)	Share of result 2022	Book value per 31 Dec 2022	Share of result 2021	Share of equity per 31 Dec 2021
Barklav (Hong Kong) Limited	2000	50 %	100	650	200	600
Maruklav Management Inc	2019	50 %	1 500	2 350	1 500	2 300
Total joint ventures			1 600	3 000	1 700	2 900

Joint ventures

Joint ventures are accounted for according to the proportional consolidation method.

14 Interest Income and Expenses

(USD '000)	2022	2021
Interest income	4 078	120
Mortgage interest expenses	(11 907)	(10 327)
Interest expenses bond loan	(4 767)	(4 371)
Other interest income/(expenses)	(1 344)	(1 026)
Net interest income/(expenses)	(13 940)	(15 603)

15 Other Financial Income and Loss

(USD '000)	2022	2021
Realized gain / (loss) financial instruments	(9 692)	(2 288)
Unrealized gain / (loss) financial instruments	(348)	(1 015)
Other financial income	1 369	-
Other financial expenses	(222)	(417)
Net other financial income/(loss)	(8 894)	(3 720)

16 Taxes

(USD '000)	2022	2021
Income taxes in the income statement consist of:		
Income taxes payable	(116)	(113)
Change in deferred tax asset	-	319
Total tax (expense) / income	(116)	206

Temporary differences - ordinary taxation:	2022		2021	
	Position	Tax effect	Position	Tax effect
Temporary differences on fixed assets	10 986	2 417	16 504	3 631
Temporary differences on current assets	6 928	1 524	9 640	2 121
Tax losses carried forward	104 265	22 938	130 079	28 617
Net temporary differences	122 178	26 879	156 223	34 369
Deferred tax asset (-) not recognised in balance sheet		(19 983)		(27 472)
Deferred tax asset in balance sheet 22 %		6 897		6 897
Deferred tax liability in the balance sheet 22 %				

Deferred tax asset is recognised to the extent that temporary differences are expected to be reversed in the foreseeable future. Tax assets from companies under the tonnage tax regime are not recognised in the balance sheet, as these cannot be utilised through group contributions, and future utilisation has not been justified. The deferred tax asset is at the same level as in 2021, based on an evaluation of the probability of future use of the tax position at group level.

Tax payable:	2022		2021	
	Income	Tax effect	Income	Tax effect
Profit / (loss) before taxes	65 475	14 404	100 120	22 026
Permanent differences	(31 429)	(6 914)	(90 812)	(19 979)
Change in temporary differences	(8 148)	(1 792)	13 482	2 966
Change in tax losses carried forward	(25 897)	(5 697)	(22 789)	(5 014)
Taxable income / tax payable				
Tax payable - foreign subsidiaries		116		113
Tonnage tax (included in operation profit)		193		277
Total tax payable in the balance sheet		309		390

17 Inventories

(USD '000)	2022	2021
Bunkers	50 566	33 913
Spareparts	145	212
Luboil	1 545	1 302
Inventories	52 255	35 428

Inventories relate to bunkers, spare parts and luboil on board vessels.

18 Accounts Receivable

(USD '000)	2022	2021
Accounts receivable from charterers	25 150	34 744
Accounts receivable from owners	3 219	897
Other accounts receivable	940	234
Provision for unsettled income	(2 372)	(4 259)
Provision loss on accounts receivable	(2 160)	(694)
Accounts receivable	24 777	30 921

19 Prepaid Expenses

(USD '000)	2022	2021
Prepaid mark-to-market margin	7 310	17 197
Prepaid time charter hire	9 371	9 011
Other prepaid expenses	5 532	3 722
Prepaid expenses	22 213	29 930

20 Other Short-Term Receivables

(USD '000)	2022	2021
Accrued voyage income	19 766	17 771
Accrued interest income	1 208	14
Claims (insurance and other)	526	732
Other short-term receivables	1 974	5 534
Other short-term receivables	23 473	24 051

21 Financial Investments

(USD '000)	Purchase value	Market value	Change in price	Agio/ Disagio
Equity funds	25 510	25 422	(402)	314
Bonds*	3 136	3 155	19	28
Equities	3 987	4 093	138	(32)
ETFs	7 512	7 008	(505)	-
Sum	40 146	39 678	(751)	310

*Klaveness has investments in a bond instrument where the company is under bankruptcy proceedings as of February 2023. The value of the bonds are unaffected by the proceedings due to the bond's collateral assets

The market value of the investments equals booked value.

22 Cash and Bank Deposits

(USD '000)	2022	2021
Bank deposits in USD	156 846	170 273
Bank deposits in NOK	24 207	30 013
Bank deposits in other currencies	5 755	2 133
Withholding tax accounts, restricted	823	767
Cash	435	424
Total cash and bank deposits	188 066	203 609
Hereof cash and bank deposits related to subsidiaries with ownership interest less than 90 %	64 918	51 529

The Group has USD 57.3 million available for drawing on a revolving credit and overdraft facilities per year-end 2022.

23 Equity

(USD '000)	Share capital	Other paid-in capital	Other equity	Total equity excluding minority	Minority interests	Total equity including minority
Equity 1 January 2021	8 154	49 052	159 405	216 611	105 022	321 633
Profit for the year			88 321	88 321	12 005	100 326
Dividends			(11 679)	(11 679)	-	(11 679)
Capital decrease in Klaveness Container AS				-	(1 167)	(1 167)
Proposed dividend			(4 527)	(4 527)	-	(4 527)
Capital contribution from minority interests					11 131	11 131
Transactins with minority interests			(1 343)	(1 343)	1 343	-
Dividends to minority interest					(3 328)	(3 328)
Other changes			(60)	(60)		(60)
Equity 31 December 2021	8 154	49 052	230 117	287 323	125 007	412 329
Profit for the year			36 970	36 970	28 388	65 359
Dividends			-	-	(19 616)	(19 616)
Transactions with minority interests			-	-	(2 720)	(2 720)
Other changes			81	81	31	112
Equity 31 December 2022	8 154	49 052	267 168	324 373	131 092	455 464

Shareholders	Ownership	Shares
THK Partner AS	26,0 %	2 600
MMK Holding AS	37,0 %	3 700
JWI Holding AS	37,0 %	3 700
Total	100 %	10 000

24 Mortgage Debt

(USD '000)	2022	2021
Mortgages, USD denominated	252 434	276 483
Capitalized loan fees	(3 131)	(2 364)
First year installments and loans falling due within one year	(92 769)	(23 936)
Total long-term mortgage debt	156 534	250 183
Hereof mortgage debt related to subsidiaries with ownership interest 90 % or less	156 534	250 183
Repayment schedule:		
Falling due within one year	92 769	23 936
Falling due between one and three years	74 253	112 116
Falling due after three years	85 411	140 431
Total mortgage debt	252 434	276 483
Book value of vessels with mortgage debt	515 071	536 192

24 Mortgage Debt

Mortgage debt is related to vessel investments and are denominated in USD. The interest rate on the mortgage debt is linked to 3M LIBOR or Term SOFR plus a margin. The margins are subject to market terms and for two of the facilities the margin is based on sustainability KPIs. At year-end the margins were in the range 2.1 to 2.3 per cent.

Interest rate derivative agreements have been entered into to reduce risk related to potential interest rate increases. Refer to note 4 on operational and financial risks, note 31 on hedging for details about interest rate risk reduction.

Covenants

The credit facilities impose restrictions which may limit or prohibit change of control, change of business and so forth without the consent of the lenders (non-financial covenants). The lenders may accelerate the maturity of the indebtedness under financing agreements and foreclose upon the collateral securing the indebtedness upon the occurrence of certain events of defaults.

The credit facilities also contain financial covenants related to equity, cash and debt service ability. In addition, all secured loans contain minimum value clauses related to the value of the vessel compared to outstanding loan. Certain cross-default exists. The Group is in compliance with all covenants at 31 December 2022.

25 Long-Term Bond Loan

KCC04 has a bullet structure with full repayment at maturity in February 2025 and the bond loan carries a coupon of 3 months NIBOR plus a margin of 4.75 % p.a with quarterly interest payments. The bond loan is swapped to fixed rate USD and fixed interest rate (cross currency interest rate swaps / CCIRS).

Bond loan	Face value		Carrying amount (USD'000)	
	NOK'000	Date of maturity	2022	2021
KCC04				
Original loan amount	700 000	11 Feb 2025	79 219	76 446
Exchange rate adjustment			(8 559)	2 773
Capitalized expenses			(527)	(969)
Bond discount			(158)	(234)
Currency adjustment NGAAP hedge			5 862	(2 697)
Total KCC04			75 836	75 319
Bond loan as of 31 December	-		75 836	75 319

26 Other Long-Term Interest-Bearing Liabilities

(USD '000)	2022	2021
Long-term debt to related parties (note 32)	-	3 350
Other long-term interest-bearing liabilities	330	367
Total other interest-bearing long-term liabilities	330	3 717

27 Accounts Payable

(USD '000)	2022	2021
Accounts payable to charterers	16 239	22 206
Accounts payable to owners	3 697	3 972
Accounts payable to brokers	1 037	1 162
Other accounts payable	149	2 424
Accounts payable	21 122	29 764

28 Accrued Expenses

(USD '000)	2022	2021
Accrued interest expenses	3 355	2 048
Accrued voyage expenses	22 397	24 636
Accrued expenses	25 752	26 683

29 Short-Term Interest-Bearing Debt

(USD '000)	2022	2021
First-year installments of long-term debt (note 24)	92 769	23 936
Short-term debt related parties (note 33)	889	2 610
Total short-term interest-bearing debt	93 658	26 546

First-year installments of long-term debt have been reclassified to short-term debt. Refer to note 24 for details on the loans.

Short-term debt to related parties consists of debt to persons affiliated with the shareholders of Rederiaksjeselskapet Torvald Klaveness. Refer to note 33 for information regarding related parties.

30 Other Short-Term Liabilities

(USD '000)	2022	2021
Unearned income	18 744	28 367
Public duties payable	116	-
Payables related to wages and crewing	2 152	2 190
Provisions for losses	2 742	564
Pool-hire payable	58	4 319
Other short-term liabilities	29 930	10 399
Other short-term liabilities	53 741	45 839

31 Hedging

Torvald Klaveness uses financial instruments to hedge against certain financial risks. In 2022, future freight agreements have been used to hedge against market fluctuations; fuel swaps have been used to hedge against fluctuations in the bunkers market; interest rate swaps have been used to hedge against interest rate fluctuations; and foreign exchange currency contracts have been used to hedge against currency rate fluctuations.

Cash flow hedges are recorded in the profit and loss account in the same period as the cash flow from the associated asset or physical contract. Fair value hedges are reflected in the book value of the underlying asset, and gains or losses in the fair value of the value hedging instrument are recognized immediately in the profit and loss account.

Forward freight agreements and fuel swaps are generally entered into on a year-to-year basis.

Hedging object	Hedging instrument	Hedge included in P&L line	2022		2021	
			P&L effect	Market value	P&L effect	Market value
Cash flow hedges:						
Pool income	Forward freight agreements	Gross revenues from operation of vessels	(5 984)	60	(8 486)	1 839
Bunkers cost	Fuel swaps	Operation of vessels and voyage related expenses	(5 228)	(479)	(2 791)	(355)
Salaries in NOK	Foreign exchange currency contracts	Salary related expenses	318	318	435	435
SUM hedging			(10 895)	(101)	(10 842)	1 919

32 Guarantee Liabilities And Collateral

All guarantees and collateral described below are provided by subsidiaries of Rederiaksjeselskapet Torvald Klaveness.

In favour of external parties:		
Guarantee to	Guarantee description	Amount
SEB/DNB	Guarantee for a loan agreement of USD 105 million in KCC Shipowning AS	USD 118.7 million
SEB/SR-Bank/Sparebanken Vest	Guarantee for a loan agreement of USD 90.7 million in KCC Shipowning AS	USD 110.7 million
Nordea/Cred. Agricole	Guarantee for a loan agreement of USD 60 million in KCC Shipowning AS	USD 72.0 million
Nordea/Danske	Guarantee for a loan agreement of USD 80 million in KCC Shipowning AS	USD 96.0 million

In favour of related parties:	
Guarantee to	Amount
MMK Holding AS	15 000 000
JWI Holding AS	15 000 000

Rederiaksjeselskapet Torvald Klaveness has issued guarantees as collateral for loans from related companies to the subsidiary Klaveness Finans AS. The guarantees are issued in order to comply with The Limited Liability Companies Act.

33 Related Parties

For some transactions Torvald Klaveness is counterpart to persons and companies affiliated with the shareholders of the parent company, Rederiaksjeselskapet Torvald Klaveness. Services delivered by Torvald Klaveness to these persons and companies include accounting and administration of investments. In addition some affiliated companies and persons have extended loans to companies within the Group.

The level of fees and interests in this respect are based on market terms and are in accordance with the arm's length principle.

Long-Term Liabilities:

Company	Interest Rate	2022		2021	
		Interest	Liabilities	Interest	Liabilities
Brigantina AS	NIBOR 6m + margin	-	-	94	-
THK Holding AS	NIBOR 6m + margin	-	-	67	-
THK Partner AS	NIBOR 6m + margin	-	-	61	-
MMK Holding AS	NIBOR 6m + margin	20	-	57	1 682
JWI Holding AS	NIBOR 6m + margin	20	-	57	1 669
Total		40	-	336	3 350

THK Partner AS, MMK Holding AS and JWI Holding AS together own 100 % of Rederiaksjeselskapet Torvald Klaveness. Trond Harald Klaveness is the ultimate shareholder of Brigantina AS, THK Holding AS, THK Partner AS, MMK Holding AS and JWI Holding AS.

Short-Term Liabilities:

Company	Interest Rate	2022		2021	
		Interest	Liabilities	Interest	Liabilities
Trond Harald Klaveness	"skjermingsrenten"	2	79	3	790
Morten Mathias Klaveness	"skjermingsrenten"	7.3	357	-	909
Jan Wilhelm Klaveness	"skjermingsrenten"	7.6	452	-	911
Total		17	888	4	2 610

34 Discontinued Operations

Profit & Loss Discontinued operation (USD '000)	2022	2021
Operating revenue	-	20 905
Gain sale of vessels	-	21 496
Operating expenses	-	(15 188)
Ordinary depreciation	-	(2 185)
Impairment loss (-) / reversal	-	41 253
Tonnage tax	-	(44)
Other operating and administrative expenses	-	(990)
Net financial result	-	(1 974)
Profit/(loss) for the year	-	63 272

The eight container vessels were sold and delivered to their new owners during 2021. A gain of USD 21.5 million was recognised in 2021.

Results, assets and liabilities for the container vessels are presented along with the other business of the Group in 2021.

PARENT COMPANY

Rederiaksjeselskapet Torvald Klaveness - Parent Company

Income Statement - Parent Company

(USD '000)	Notes	2022	2021
Operating income and expenses			
Other operating revenue		-	78
Total operating income		-	78
Operating expenses			
Operating expenses	2, 3	(7 293)	(3 040)
Total operating expenses		(7 293)	(3 040)
Operating profit/(loss)		(7 293)	(2 963)
Financial income and expenses			
Income from subsidiaries	4	37 538	21 643
Impairment subsidiaries / reversal	4	10 621	8 053
Net interest income/(expenses), group companies		281	642
Net other financial income/(expenses)		246	159
Net currency gain/(loss)		1 346	1 179
Net financial income/(expenses)		50 032	31 676
Profit/(loss) before taxes		42 739	28 713
Net financial income/(expenses)		50 032	31 676
Profit/(loss) before taxes		42 739	28 713
Taxes	5	3 827	54
Profit/(loss) for the year		46 566	28 767

Balance Sheet - Parent Company

(USD '000)	Notes	2022	2021
Assets			
Fixed assets			
Deferred tax asset	5	3 827	-
Total intangible fixed assets		3 827	-
Financial fixed assets			
Investments in subsidiaries	4	269 430	226 548
Loans to subsidiary	6	16 925	-
Total fixed assets		286 355	226 548
Current assets			
Receivables, Group companies	7	15 342	7 551
Other accounts receivables		7	5
Bank deposits	8	20 832	30 583
Total current assets		36 181	38 140
TOTAL ASSETS		326 363	264 688
Equity and liabilities			
Equity			
Paid-in-capital			
Share capital (100 shares of NOK 509 982)		8 153	8 153
Other paid in equity		10 855	10 855
Retained earnings			
Other equity		268 189	221 623
Total equity	9	287 197	240 631
Liabilities			
Current liabilities			
Public duties payable			
Short-term liabilities, group/related companies	10	35 409	10 005
Provision contingent liabilities	11	1 968	-
Dividend		-	4 527
Debt to related parties	10	1 779	9 496
Other short-term liabilities		8	28
Total current liabilities		39 165	24 056
Total liabilities		39 165	24 056
TOTAL EQUITY AND LIABILITIES		326 363	264 688

Oslo, 23 March, 2023

Trond Harald Klaveness
Chair

Christian Rynning-Tønnesen
Board member

Jan Tellef Thorleifsson
Board member

Rebekka Glasser Herlofsen
Board member

Ernst Andre Meyer
Chief Executive Officer

Cash Flow Statement – Parent Company

For the year ended 31 December (USD '000)	2022	2021
Profit/(loss) before taxes	42 739	28 713
Impairments/reversal of impairments	(10 621)	(8 053)
Income from subsidiaries	(37 538)	(21 643)
Change in current assets	(7 793)	23 791
Change in current liabilities	19 636	12 369
Other non-cash items	99	74
Effect from change in exchange rate	(1 346)	(1 179)
Net cash from operating activities (1)	5 177	34 073
Income from subsidiaries	37 538	6 043
Capital increases	-	(36 250)
Increased share in subsidiary	(32 261)	-
Capital decrease	-	32 457
Net cash from investing activities (2)	5 278	2 251
Increase in long term loans to group companies	(9 761)	107
Decrease in long term liabilities to group companies	(409)	(14 261)
Paid dividend	(4 575)	(11 679)
Paid Group contribution	(5 459)	-
Loans to Group companies	-	15 845
Received Group contribution	-	1 171
Net cash from financing activities (3)	(20 205)	(8 816)
Net increase/decrease (-) in cash (1+2+3)	(9 751)	27 508
Cash at January 1	30 583	3 075
Cash at December 31	20 832	30 583
Net increase/decrease (-) in cash	(9 751)	27 508

Notes

- 01 Accounting Principles
- 02 Operating Expenses
- 03 Remuneration
- 04 Investments in Subsidiaries
- 05 Taxes
- 06 Loan, Group Companies
- 07 Receivables, Group Companies
- 08 Bank Deposits
- 09 Equity
- 10 Short-Term Liabilities, Group/Related Companies
- 11 Provisions

01 Accounting Principles

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

Investments in subsidiaries

Investments in subsidiaries are stated according to the historical cost method. If there is a decrease in value that is not temporary, the shares are written down. Previously recognised impairments are reversed if the reason for the impairments no longer exists.

For other accounting principles refer to group accounting principles.

02 Operating Expenses

(USD '000)	2022	2021
Remuneration to the Board of Directors	(227)	(235)
Audit fee	(48)	(77)
Other expenses	(7 017)	(2 729)
Total operating expenses	(7 293)	(3 040)

There are no employees in Rederiaksjeselskapet Torvald Klaveness. The Chief Executive Officer (Mr. Ernst Andrè Meyer) was per December 31, 2022 employed in Klaveness AS. Remuneration costs are specified in the group notes.

Rederiaksjeselskapet Torvald Klaveness is charged with owners costs from Klaveness AS. This includes both services provided by Klaveness AS on behalf of Rederiaksjeselskapet Torvald Klaveness as well as allocation of costs generated on behalf of the owners. The cost allocation also includes remuneration of key management.

03 Remuneration

(USD '000)	2022	2021
Remuneration to the auditor:		
Auditing ex. VAT, statutory	(48)	(77)
Tax and other services ex. VAT	(15)	(5)
Total remuneration to the auditor	(63)	(81)

04 Investments in Subsidiaries

(USD '000) Subsidiaries (acquisition year)	Share Capital	Group contr. & dividends in 2021	BV changes in 2022	Book value 2022	Book value 2021
Klaveness Finans AS, Oslo (2008)	NOK 383		29 204	44 242	15 038
Klaveness Container AS (2013)*	NOK 71 752		(1 220)	12 418	13 638
Klaveness Combination Carriers ASA (2018)**	NOK 52 372		23 588	176 526	152 938
Klaveness Cement Logistics AB	SEK 575		-	345	345
Klaveness AS, Oslo (2011)	NOK 153		335	5 731	5 397
Klaveness Digital AS (2017)	NOK 182		(9 027)	13 599	22 626
Klaveness Dry Bulk AS (2021)	NOK 200		2	16 069	16 067
Klaveness Asia Pte. Ltd., Singapore (2006)	USD 7 000		-	500	500
Total investments in subsidiaries		-	42 882	269 430	226 548

* RASTK received a group contribution from Klaveness Container AS on its 96.53 % share with effect in 2021. The group contribution was approved after the acquisition of the remaining shares (3.47 %) from THK Equity AS early in 2022. In the acquisition, the share valuation was based on the pre-contribution value of Klaveness Container AS, since an additional dividend had not been awarded to THK Equity AS as compensation for the unevenly distributed contribution. Instead, the purchase price was adjusted accordingly in order to ensure distributions to each of the owning parties were fair and according to respective ownership shares. The booked value of the shares at year-end 2022 were impaired by mUSD 3.9 to harmonize the booked value with the equity in the subsidiary.

** Reversal of previous impairments of mUSD 23.5 in KCC ASA due to higher value of equity than booked value.

05 Taxes

(USD '000) Income taxes consist of:	2022	2021
Effect of Group contribution	-	(54)
Change in deferred tax / deferred tax asset	(3 827)	-
Total tax expense / (income)	(3 827)	(54)

Taxable income:	2022	2021
Profit/(loss) before tax	42 739	28 713
Permanent differences	(44 410)	(30 451)
Change in temporary differences	(739)	523
Group contribution with tax effect	10 210	245
Tax loss carried forward / (Use of tax loss carried forward)	(7 801)	969
Taxable income	-	-

Reconciliation of the effective tax rate:	2022	2021
Profit/(loss) before tax	42 739	28 713
Expected income tax (22 %)	4 493	4 301
Tax effect of non deductible expenses	433	(3 432)
Tax effect of dividend from subsidiary included as income and impairment of subsidiary	(2 019)	(1 252)
Tax effect of group contribution from subsidiary included as income	(3 275)	-
Tax effect of group contribution	2 246	-
Write down of deferred tax	(5 706)	328
Total tax expenses / (income)	(3 827)	(54)

05 Taxes

Deferred tax / Deferred tax asset:	2022	2021
Tax loss carried forward (tax effect)	(6 816)	(9 566)
Other temporary differences	146	303
Limitation of interest rate deduction	(992)	(1 112)
Deferred tax asset not recognised in balance sheet	3 835	10 374
Change deferred tax / deferred tax asset	(3 827)	0

06 Loan, Group Companies

(USD '000)	2022	2021
Loan to Klaveness Digital AS	16 925	-
Total loans, group companies	16 925	-
Interest rate is LIBOR 3m+ margin		

07 Receivables, Group Companies

(USD '000)	2022	2021
Klaveness Digital AS	5	7 164
Klaveness Dry Bulk AS	2 376	-
Klaveness Ship Management AS	32	142
Baumarine AS	2	-
Klaveness Finans AS- Group contribution	-	245
AS Klaveness Chartering	12 483	-
Klaveness AS	445	-
Total receivables, group companies	15 342	7 551

08 Bank Deposits

(USD '000)	2022	2021
Bank deposits	20 832	30 583
Total bank deposits	20 832	30 583

09 Equity

(USD '000) 2021	Share Capital	Other paid-in capital	Other equity	Total equity
Equity at 1 January 2021	8 153	10 855	36 427	55 435
Merger with Klaveness Ship Holding AS			172 634	172 634
Profit/(loss) for the year			28 767	28 767
Proposed dividend			(4 527)	(4 527)
Dividends			(11 679)	(11 679)
Equity at 31 December 2021	8 153	10 855	221 623	240 631
Equity at 1 January 2022	8 153	10 855	221 623	240 631
Profit/(loss) for the year			46 566	46 566
Equity at 31 December 2022	8 153	10 855	268 189	287 197

For information regarding ownership, refer to group notes.

10 Short-Term Liabilities, Group/Related Companies

(USD '000)	2022	2021
Klaveness AS	1 779	2 831
Klaveness Container AS	8 876	9 495
Cargo Intelligence AS	-	104
Baumarine AS	2	-
Klaveness Ship Management AS	335	-
Klaveness Digital AS	-	65
Klaveness Finans AS	26 197	7 000
AS Klaveness Chartering	-	5
Total short-term liabilities, group/related companies	37 188	19 500

11 Provisions

(USD '000)	2022	2021
Provision	1 968	-

Rederiaksjeselskapet Torvald Klaveness has committed to donate 16 million NOK to the Norwegian Red Cross and the Norwegian Refugee Council for humanitarian aid in Ukraine and its neighboring countries, as well as in Somalia where a desperate situation has been aggravated by the war. In addition, 3.5 million NOK has been donated to Kirkens Bymisjon to support mainly young people in need in Norway.



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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Rederiaksjeselskapet Torvald Klaveness

Opinion

We have audited the financial statements of Rederiaksjeselskapet Torvald Klaveness (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 23 March 2023
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The auditor's report is signed electronically
Johan Lid Nordby
State Authorised Public Accountant (Norway)

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"By my signature I confirm all dates and content in this document."

Johan Nordby

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On behalf of: EY

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